

# NATIONAL MUNICIPAL REVIEW

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## EDITORIAL COMMENT

A traffic semaphore operated by the sound waves emitted by an automobile horn approaching street intersections has been pronounced a success by the head of the Baltimore traffic police, according to a recent number of the *Nation's Traffic*.

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The second attack launched by Harry L. Davis against the city manager-proportional representation charter of Cleveland was defeated in the election of April 24 by a vote of 44,122 to 40,890. To the Cleveland League of Women Voters must go much of the credit for the victory. A longer account of the campaign will be found in the Notes and Events Department of this issue.

✱

C. E. Ridley reviews in this issue three more city reports. It is his plan to continue this practice, considering briefly each month a few of the better reports. At the end of the year they will all be rated in a longer treatment after the manner of his article in the March REVIEW. Mr. Ridley will be glad to rate confidentially, in accordance with the scale used in the March article, any report submitted to him.

✱

Readers who became interested in the personality of Mayor Lawrence C. Hodgson, through the article by George

N. Briggs in the April REVIEW, will be pleased or disappointed, as the case may be, to learn that last month he was reelected mayor of St. Paul for the fourth term. He obtained the largest plurality ever given a St. Paul mayor-alty candidate, defeating two other candidates and obtaining a majority of all votes cast.

✱

It is with the deepest regret that we announce the sudden death of Dr. D. F. Garland from pneumonia. At the time of his death Dr. Garland was president of the Dayton Foundation and of the Dayton Research Association, of which he was one of the founders. As much as any other single person he was responsible for the adoption of the city manager plan in Dayton. For several years he had been serving as director of welfare for the National Cash Register Co. at Dayton. He was a former officer of the League. His death marks the passing of a valiant citizen who was, heart and soul, an ardent supporter of the municipal research movement as a method of municipal progress.

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Fred H. Locke, city manager of Grand Rapids, reports a gratifying decrease in fire losses in his city for the past five years. In 1923 and 1924 the losses exceeded a million dollars. In

1925 they dropped to \$815,000 and in 1926 to \$312,000. In 1927 they reached the low level of \$290,000.

Since 1924 the city has conducted a continuous fire prevention campaign. In this the local Safety Council, the Association of Commerce, and many business institutions and organizations throughout the city have coöperated. The firemen inspect every home in the city twice a year and many business houses are visited for inspection twice each week. Particular emphasis has been placed upon the education of the school children in fire prevention activities in the home.

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Per capita expenditures for health and charities increased from three dollars in 1916 to \$5.79 in 1926, in cities of 30,000 population or over, according to a bulletin of the census bureau. Although the per capita cost has increased, the per cent of total payments for expenses of general departments on account of health and charities decreased from 16.1 in 1916 to 14.8 in 1926. Wide variation exists between the larger and the smaller cities with respect to expenditures for these services. In cities of 500,000 and over, the per capita payments for health, sanitation, charities and hospitals in 1926 totaled \$7.65; but for cities of 30,000 to 50,000 the average was but \$3.42.

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City Manager Sherrill of Cincinnati has devised a yellow card with the following friendly greeting to be attached to automobiles bearing out of town licenses:

**WELCOME STRANGERS:**

The City of Cincinnati cordially invites you to enjoy its hospitality. This card placed in the corner of your windshield will insure you exceptional courtesy from all city officials and from the public.

The card also carries a brief summary of traffic rules and a small street map of the city. The card does not of course extend to the stranger the privilege of violating traffic regulations. It does mean, however, that he will receive unusual courtesy if at any time he ignorantly violates a traffic ordinance. In a majority of cases he will not be cited if the offense does not appear to have been willful.

\*

Wichita, Kan., has undertaken an experiment which has rarely been attempted in the United States, but which has become the customary practice abroad. It has appointed O. W. Wilson of Los Angeles to the position of chief of police. Mr. Wilson, who is twenty-eight years old, is a graduate of the University of California where he specialized in sociology, economics and criminology. For four years he was a member of the police force of Berkeley where he served under Chief Vollmer, who is recognized as one of the most able police executives in the United States. Indeed Mr. Wilson walked a beat while he was still a student at the university.

In past years Wichita has enjoyed a succession of police chiefs. All were men who had come up from the ranks, possessing, generally, very little education and with nothing other than their experience to recommend them to the job. It will be interesting to note how a young college man trained specifically for police work will compare with the usual type of chiefs of police.

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New York  
Faces 7-Cent  
Fare

The subway fare controversy now taking place between the City of New York and the Interborough Rapid Transit raises a new legal problem in which other municipalities will be interested. On May 2 a federal statutory court declared that



the contract between the city (which built the subways) and the company by which the fare was never to exceed five cents was invalid so far as the rate of fare was concerned. By an act of 1907 the legislature created a public service commission with power to fix reasonable rates, and in the absence of specific legislation to the contrary, the 1913 contract between the city and the I.R.T. is qualified by the rate making power of the state commission. At this writing the Supreme Court is listening to arguments to decide whether the order for the seven-cent fare is to go into effect at once or is to wait further consideration by the courts. A full discussion of the present situation will be found in the Public Utilities Department of this issue. The B. M. T. lines are not involved. To them the 5-cent fare appears satisfactory and they will continue at the old rate.

#### A New Offense Against Public Welfare

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Interference with  
radio receiving sets,  
it would seem, is

about to be added to the catalog of crimes and misdemeanors. At least the Iowa League of Municipalities has received many requests for information as to an ordinance prohibiting such interference, and has accordingly drafted a model ordinance which was recently published in *American Municipalities*. By the terms of the ordinance it becomes unlawful to operate any electrical or other apparatus that "causes reasonably preventable electrical interference with any other electrical apparatus including radio receiving sets. . . ." Specifically is it forbidden to use any violet ray machine, x-ray machine, electrical vibrator or other apparatus or instrument causing electrical interference with radio receiving sets between the hours of 6 and 11 o'clock P. M. An exception is made in the case

of x-ray pictures necessary for physical examinations in emergency cases. The Iowa League believes that the power to adopt such an ordinance accrues under the general police power and the welfare clause embodied in section 5714 of the State Code.

According to newspaper reports similar ordinances have been adopted in a number of municipalities. Whether they will be sustained by the courts is open to question.

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More About Special Assessments in Washington  
On page 196 of the REVIEW for April we referred to the practice in Washington by which property owners have been able to escape entirely the payment of special assessments against their property. The trick has been to let the county take the property for general taxes, which wipes out the assessment lien, and later to buy it back free of the improvement obligation. Several years ago the supreme court of Washington held that when a county sells land bid in at a tax sale it sells it free from the obligation to pay special assessments standing against it.

Professor Tooke points out in his department of Judicial Decisions in this issue that in the case of *City of Tacoma v. Fletcher Realty Company*, the supreme court of Washington on March 5 ruled that under the statute of the state the private purchaser at a foreclosure sale for general taxes takes the property free from the lien for special assessments. It is no longer necessary for the county to be a party to a conspiracy to evade the payment of special assessments inasmuch as such evasion can now be accomplished directly.

Professor Tooke raises the question whether such practices do not impair the obligation of contracts. "The power of the state," he writes, "to

take away rights of the bond holder by the exercise of the paramount power of taxation raises the question of a conflict between two primary governmental principles."

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**Do Cities  
Need Two  
Mayors?**

The social graces of New York's present mayor are known from coast to coast. People like him but many believe that he doesn't attend to business. Yet if reflection is the test of a mayor's success perhaps the animated and debonair Jimmie is more sagacious than his critics. In this case the following are words of wisdom. We clip them from the *New York World*:

It was never more evident than it is today that what New York needs is two mayors, a working mayor and a playing mayor, a day mayor and a night mayor, a competent mayor and a charming mayor, a cerebrating mayor and a celebrating mayor, a mayor for responsibilities and a mayor for repartee, a mayor to stay home and a mayor to go abroad, a back-office mayor and a front-office mayor, a wise mayor and a witty one, a just man and a jester; in brief, somebody to govern the city and our Jimmie to entertain us. New York obviously cannot get along without our Jimmie, and yet in all truth it does need a mayor. We propose, therefore, quite seriously, that the charter of New York be amended, that we create the post of honorary mayor and elect Jimmie for life, and that we then create the post of acting mayor or city manager and elect somebody who can do the job.

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**Is the Small  
Electric Plant  
Doomed?**

Almost every day witnesses a small electric plant absorbed by a large system on grounds of economy and expected advantages to consumers. Disappointment by the latter, however, is also frequent. Why?

The answer depends upon circumstances. But the reasons are likely to be twofold: First, the price paid for the

local property is usually excessive; there is competitive bidding among utility groups, and the purchase price is often beyond the "fair value" of the property. In the second place, when a property has been acquired, over-eagerness to make all possible profit from the purchase is apt to take control of the new management. Changes are likely to be emphasized; reconstruction of the plant will be necessary, to be followed by a revaluation upon "reproduction cost" basis.

When the cycle of adjustment after purchase has been completed, the consumer is likely to find his rates increased although the consolidation promised greater efficiency of operation. Any decrease is usually long delayed. The economies are absorbed to support the excessive purchase price, the management expense, the new investment, and the revaluation on a high basis. Under such circumstances, the consumers are better off under an independent property at low production efficiency.

The Maryland commission has taken an affirmative position in respect to such consolidations by refusing recently to approve the purchase of a property because it appeared detrimental to the public. In such cases this is a proper position for all commissions. Normally, their attitude is passive. They permit consolidations which are obviously unsound and are certain to nullify any benefits to the consumers, except possibly after a long time.

All proposed consolidations should be carefully scanned as to price, prospective operation, and the effect upon the consumers. Every community should be assured that it will share in the anticipated economies before the local property is passed over to outside control.

J. B.



## OUR AMERICAN MAYORS

### X. MAYOR OSCAR F. HOLCOMBE OF HOUSTON

BY FRANK M. STEWART

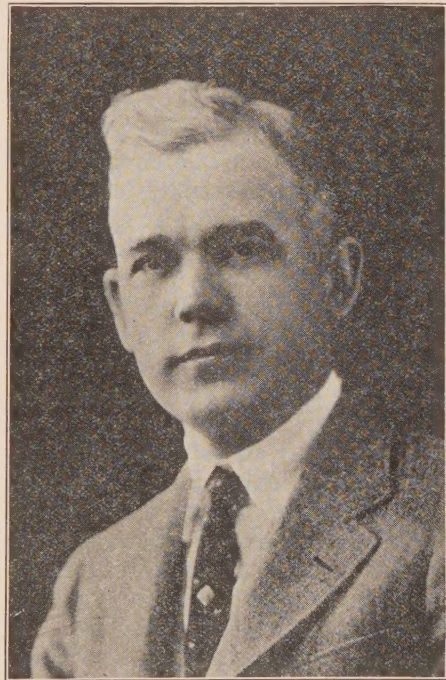
*University of Texas*

*First elected at the age of thirty-two and thrice reëlected, Mayor Holcombe represents a type too rare in municipal politics.    ::    ::*

HOUSTON has been called "the city that fooled the geographers," for, though inland, it is a port. A deep water ship channel connects it with the Gulf and eighteen railroads join it with the interior. The city is the second largest cotton export market in the United States and the largest inland cotton market in the world. Every decennial census since 1860 has found the population nearly doubled. In 1920 Houston had a population of 138,276, and according to an unofficial estimate it now has about 250,000 inhabitants.

Since 1905 Houston has had commission government, being the second city in the United States to adopt that form of government. Its type of commission government differs from the ordinary form in respect to the powers that are given to the mayor. Altogether, his position is much like that of the mayor in the strong mayor-council type of municipal government. He appoints, subject to confirmation by the council, the heads of administrative departments, and has the power to remove them with or without the concurrence of the council. He has the veto power over the acts of the council, and has also the item veto of appropriation acts. He prepares and submits to the council the annual budget. His salary is \$7,500 a year as contrasted with the alderman's salary of \$3,600 a year. By the charter he is designated

as the "chief executive and administrative officer of the city." The charter of Houston makes provision for the initiative, referendum and recall, the



MAYOR HOLCOMBE

merit system, and the preferential ballot in primary elections.

Under commission government Houston has fared well. The dominant political party is Democratic: hence the results of the primary are decisive. There have been no bosses and no



conspicuous machines. The mayors have been respectable, conservative citizens. Under the administrations of Mayor Ben Campbell, 1913-1917, an extensive program of improvements was undertaken. Because of the war, the improvement program was stopped, the resources of the city being diverted to needed war work. The two years following the war saw the city slowly recovering from the depression in building. At the beginning of 1921 Houston was ready for an era of tremendous expansion and was looking for a leader who could plan and direct a comprehensive building program.

#### THE MAYOR, A YOUNG UNKNOWN

Into this situation came Oscar F. Holcombe, at that time almost unknown to Houston. He was a young man, only thirty-two years old, whose previous years had been spent in strenuous and successful efforts to "get on" in the world, with no thought of political ambitions. He was a self-made man. When he was three years old, the family had moved from Alabama to San Antonio, Texas, in search of health for the father, a lawyer. The move was only partly successful, for after eight years of invalidism, when Holcombe was eleven years old, the father died, leaving an impoverished family. Young Oscar, who had already been working out of school hours for four years, now had to set to work even harder to help support his mother and younger brother by selling newspapers, acting as cash-boy in vacation periods, and filling such other jobs as he could get. In 1904, at the age of fifteen, he decided to quit school and go to Houston, where he could receive better pay. Here he lost no time climbing the ladder of success. At fifteen he was a floor-sweeper in a planing mill; at twenty, he was assistant manager. All the while he was

studying English and mathematics at night and giving extra hours to the mill work. When he decided to enter the race for mayor, he estimated that his income was about \$30,000 a year, so that he had been remarkably successful in a short period of time and in spite of great handicaps.

It is hard to say what did influence Holcombe in his decision to enter the race for mayor, because he made his decision independently. Perhaps the fact that overcrowded school buildings were a problem then, had something to do with his decision, for he had specialized in the construction of school buildings. Perhaps it was the fact that, as a natural builder, he saw the great possibilities ahead for Houston and wished to have his part in the development. At any rate, he himself made the decision. He belonged to not a single club or organization of any sort except the Baptist church. There was no considerable group of supporters except possibly those in the ranks of union labor, for, while he himself never carried a union card, he had always employed union labor in his construction work. He succeeded in "selling" his cause to only one of the three daily papers of the city, the *Houston Press*.

In contrast, his four opponents were men of more established connections. One had been county commissioner and was in addition supported by the Ku Klux Klan; another had been in the business office of a newspaper and had the support of that newspaper; a third was the head of a chain of bakeries; and the fourth had been public service commissioner and head of the legal department under the outgoing administration. All were respected citizens and capable men.

Holcombe's campaign promises were: a business administration, reorganization of the city departments, paving, new school buildings, and the



like. His opponents claimed that he promised too much, that he was too young and inexperienced, and that he was merely a newspaper candidate, while he accused his opponents of first promising nothing and then later getting their ideas from him. The campaign was conducted rather quietly, for Holcombe was not the speaker then that he is now. Personal solicitation took the place of speeches to some extent. For instance, he and his campaign workers would get up at four o'clock in the morning to ride with the workmen on their way to work, and in the afternoon they would mingle with them as they returned home. He tried, as he has always tried, to wage a clean campaign free from personalities and based on principles and the fitness of the candidates. He made speeches occasionally, but not often. Nevertheless, his campaign was sufficiently effective and far-reaching, for in the primary of February 9, 1921, he was nominated by a small majority.

Mayor Holcombe prides himself on never having failed to keep a campaign promise. Apparently, the people of Houston feel that he has kept his promises, for he is now serving his fourth two-year term as mayor. At any rate, Houston has grown tremendously during the period, almost doubling in population and building at a phenomenal rate. Much credit, no doubt, is due Holcombe for the proper steering of the building and development. He has realized the value of a city plan and of city planning in general. His have been business administrations, with regard for efficiency and the merit principle, though in the rapid expansion that has come he has not been without the accusation of extravagance.

#### K. K. K. ANTAGONISTIC

Although in all of his campaigns except the first, Holcombe has had the

support of every newspaper in the city, of the president of every bank, of the president of the Open Shop Association, of the president of the Labor Temple, and of the business agent of every labor organization, yet his primaries have not been "walk-offs." He has had his enemies, and there have been serious charges against him. In the campaign of 1922, the Ku Klux Klan, which had control of the Harris County government, strongly opposed him. He had himself been a member of the Klan before his first campaign, but had withdrawn his membership almost immediately. The Klan had offered not to oppose him if he would remove three Catholics in responsible city positions. He refused, and the result was a dramatic campaign. The Klan charged Holcombe with gambling, naming the place and the date. Holcombe's answer was to demand a trial before the deacons of his church. They announced, after a hearing, that the charges were untrue. Opposition speakers insinuated a "whitewash." Then Holcombe requested the Baptist Pastors' Conference of the city to hear the evidence, and the mayor met his accusers face to face before a committee of fifteen ministers. The trial lasted one day and, at the conclusion, the pastors gave out a statement that the evidence failed utterly to sustain the charges.

Still another effort was made by the Klan to discredit the administration. The chief of police was a Klansman. There were rumors that he was helping the opposition by claiming that the mayor had hindered him in the performance of his duty in enforcing the laws. Called into the mayor's office, he emphatically denied that he had been so hindered. Two days later, just as the mayor was preparing to make a speech before a large group, the chief handed the mayor his resignation and



gave out a statement that the mayor had not coöperated with him in the performance of his duty as chief of police and that the city was infested with crooks and bootleggers. When the mayor confronted him with a dictaphone record of his prior conversation in his office, he failed to press his charges.

At the close of a campaign of slander and vilification Holcombe was renominated over his Klan opponent by over 1,200 majority, carrying every ward except one.

The campaign of 1924 was not remarkable, the Klan having disintegrated after its defeat in 1922, and there being no conspicuous issues. There was a Klan candidate and one other, but Holcombe was reëlected on his record, defeating his two opponents by a four to one vote.

#### 1926 CAMPAIGN RICH IN CHARGES

In 1926, however, the campaign developed considerable bitterness. Holcombe was charged with letting contracts for public works, notably the city auditorium, without competitive bidding; with allowing city employees to circulate pledge cards while on duty and making them sign cards pledging their votes for him; with waste by overpayment on public buildings; with loss of the gas company's bond; with "white graft" in the form of real estate speculations in which he was able to profit very greatly because of inside knowledge and power; with forming a huge and dangerous political machine; and with traveling excessively at the city's expense. As a rule, Holcombe has ignored the charges of his opponents, taking notice of them only when absolutely necessary and relying on his record to speak for him. However, in this campaign he felt obliged to answer the charges in regard to "white graft" and traveling. He made a statement

listing all of his real estate transactions since the date of his becoming mayor, and thereafter ignored the charge. His supporters insisted that he had done nothing legally wrong in his real estate dealings, but regretted that he had allowed himself to be put in a vulnerable position. In answer to the charge of excessive traveling, he said that he had traveled on the city's money only when on business for the city, and that the city had profited as much by his travels as he, his trip to England, for instance, having secured for Houston the convention of the Associated Advertising Clubs of the World. In this campaign the mayor asked his supporters to vote only first choices or "single-shots" under the preferential ballot, alleging that two of his opponents had formed a combination to defeat him on second and third choice votes. The results of the primary gave Holcombe a majority of over 2,600 on first choice votes over his three opponents.

#### MAYOR'S ENTHUSIASM HELPS CITY'S GROWTH

The major accomplishments of Mayor Holcombe's administrations have been in material construction; his public improvement program has come nearer to keeping pace with the needs of the city, say his friends, than that of any other administration in recent times. Under his administrations the city has experienced its greatest growth. Holcombe does not claim the credit for this, but his friends contend that he has put enthusiasm into the administration of a growing city as no other mayor has done. Space will not permit enumeration of the individual items in the record. Aside from the more usual though by no means unimportant improvements such as paving, sewers, park sites, drainage, traffic signal systems, motorized fire departments, and the like, certain



changes have been especially marked. One of these is the creation of a port district. Financial support of the port had for many years been a burden borne by the city alone. Mayor Holcombe originated and had created by the legislature in 1921 the Navigation District, which includes all of Harris County. Under this plan the financial responsibility, including the issuance of bonds, is distributed upon an equalized basis. Another marked change is the large number of public buildings that have been built, among them an auditorium, a new main library building, and several branch libraries. Land has been acquired on which to build a farmers' market to cost \$350,000. The site for a civic center has been secured, and plans for a new city hall to cost over \$1,000,000 are being drawn. Within the administration there have been changes also. New municipal offices created include that of city manager, who has charge of city purchasing, the municipal store, the city market house, and the auditorium; that of public service commissioner as a separate office; and the restoration of the department of architecture. A city

planning commission was appointed in 1922.

These facts indicate the principal characteristic of the mayor—a builder. He seems to have the faculty of getting big things done in a big way. Personally, he is a fine-looking, mild-mannered, likeable executive, a hard worker, with excellent grasp of administrative method and detail and an ability to manage people and situations. He has been able to inspire coöperation from the heads of his departments, and his relations with the council have, with few exceptions, been entirely harmonious. In campaigns he is a clear and effective speaker, though by no means a crusader or an orator, emphasizing principles and issues and ignoring personalities. His patience, calmness, and poise when under fire have attracted commendation. That he has made mistakes even his strongest supporters admit. He himself admits them. But he has been elected four times, and he has the support of all the newspapers and of both capital and labor. Houston wants and needs a builder, and in Oscar Holcombe it seems to have found the man.

## TAX RELIEF FOR ELECTRIC STREET RAILWAYS

BY M. C. WALTERSDORF

*Washington and Jefferson College*

*Street railways, writes the author, should be relieved of all unjust taxes which in any case are ultimately borne by the rider. :: :: ::*

THE same basis of taxation of real and personal property is applied to public utilities as to other industries, except that special kinds of property owned by these companies may actually be assessed at unusually high rates, because such property cannot readily

escape taxation. Some other types of property which do not require extensive special investment can be transferred from one taxing jurisdiction to another. Street railways and other utilities render a service that is essential to the public, and such service cannot be

suspended without the approval of the public authorities. Such approval is rarely, if ever, granted because of excessive taxation.

Ordinarily street railways and other utilities are also subject to business licenses, income taxes, capital stock taxes, and imposts similar to the business corporations. Occasionally electric railways are also required to pay special taxes on cars, poles, wires, and mileage of tracks. Frequently a franchise tax is also imposed, either in addition to or in place of some of the taxes already mentioned. Under this tax the franchise may be given a designated value taxable at the prevailing rate for personal property, or its value may be fixed by a process of capitalization of the net earnings; or of net income in excess of certain assumed rates. Under regulation the profits derived from such franchises are limited to those generally obtainable in other business with similar risks. The opportunity, therefore, to carry on the business which the franchise authorizes has no special value and should not be taxed.

#### SPECIAL ELECTRIC RAILWAY TAXES

In addition to these special taxes electric railways are usually subject to other imposts and burdens of a still more specialized character. They include payment for and maintenance of paving in connection with railway trackage, removal of snow, street cleaning and sprinkling, contributions toward the maintenance of traffic officers, and street lighting. Free transportation may also be required for policemen, firemen, and sometimes for other city employees not in uniform. Occasionally, too, mail carriers are carried free of charge. The extent of these special taxes usually varies with the respective trading abilities of the railways and municipal officers who conduct the

franchise negotiations. At times municipal officers go to the extreme in embodying special requirements in franchises covering electric railways. This has been particularly typical of the street paving requirements.

#### STREET PAVING

The matter of paving requirements is primarily important and involves such a peculiar misunderstanding on the part of the public that further consideration is justifiable. Since horses ceased to supply the motive power for urban transportation, and regulation came into effect, paving charges often have imposed an unjust burden on this type of transportation. Usually city officials refuse to take the steps necessary to relieve these utilities from the requirements of the long-time franchises granted them years ago when the horses, propelling the cars, actually used the streets, thus causing more rapid wear and tear. Apparently the general public has not yet fully grasped the significance of regulation, and still adheres to the old idea that the street railway business is inherently profitable, and that any burden imposed upon this industry which tends to reduce general taxation is to that extent a relief to all citizens.

In some cases these paving requirements have been continued on the theory that the franchise right granted by the municipality enabled the company to earn large returns, and that the city merely relieved itself of certain expenses in return for the privilege granted the railway company. Under regulation no such value is given franchise rights. Carriers are limited to a fair return, but are permitted to capitalize the cost of paving, to earn a fair return thereon, and to set aside out of gross revenues, an amount sufficient for maintenance and ultimately for replacing the pavement. Under this prac-



tice the electric railways are allowed to include an expense in their charge for service which otherwise would be borne by the adjacent property owners or by the municipality itself. The property owners not only are likely to benefit from such paving but also the "jitneys" which freely use the streets and in turn deprive the railway companies of revenue.

Public officials naturally hesitate to espouse the claims of a local railway company for relief even when such relief would benefit its customers. Eventually, no doubt, there will be a general public recognition of the conditions surrounding the service furnished by these utilities. When that time comes the leaders who have persistently adhered to obsolete issues will be compelled to give way to the more progressive and farsighted leaders who perceive the real interests of the public. The electric railways recognize the need of popular education pertaining to the economic issues of their business. Recently they have resorted to a widespread program of education and enlightenment through the medium of newspapers and articles, particularly with respect to the paving situation.

#### ANALYSIS OF RAILWAY TAXES

In 1920 the President of the United States appointed the Federal Electric Railways Commission for the purpose of investigating and reporting on the condition of the electric railways. This commission held extensive hearings and examined witnesses representing the industries, the public, and other interested parties. It was the consensus of opinion of nearly all the witnesses examined that franchise taxes, paving costs, and other similar charges were unjust burdens imposed upon car riders and should be abolished. The commission itself concluded that . . . "special assessments for sprin-

gling, paving, and for the construction and maintenance of bridges which are used by the public for highway purposes," should be eliminated.<sup>1</sup>

A special committee of the American Electric Railway Association was also appointed to investigate electric railway taxation and report to the Association. The data which this committee obtained covering the year 1922 show that the electric railways of the United States pay approximately \$100,000,000 in taxes, or about 10 per cent of their total revenue.<sup>2</sup> About two-thirds of the taxes paid by electric railways are derived from property and income and are similar to those paid by other corporations, while the remaining one-third are franchise, earning, and other taxes of a special nature. It, therefore, appears that special taxes comprise a rather large proportion of the total combined taxes paid by electric railways, and are in excess of those paid by the ordinary business corporation. The taxes levied upon the resources of the electric railways in recent unfavorable years have been burdensome. In 1922 these companies in New York State paid 45 per cent of their net income in taxes.<sup>3</sup> In Virginia the tax amounted to nearly 40 per cent.<sup>4</sup> The electric railways have been subjected to more extensive special taxes than any of the other classes of public utilities.

#### SHIFTING OF UTILITY TAXES

Apparently the public does not appreciate the fact that public utilities merely serve as collectors of taxes. Special or discriminatory taxes levied upon electric railways or other utilities are shifted to the customers of the

<sup>1</sup> Proc., Vol. III, Sec. I, II, IX, p. 2263.

<sup>2</sup> Proc. Am. Elec. Ry. Assn., 1923, p. 200.

<sup>3</sup> Davenport F. M., "The Taxation Problem," *Aera*, March, 1923, p. 911.

<sup>4</sup> Forward, A., "Taxation in Virginia," *Aera*, March, 1923, p. 920.

service. Utility taxes are not paid by the utility owners, but rather by the patrons. The car rider of moderate means helps to pay for the paving of streets which his more prosperous neighbor uses with his automobile. The rapid increase in the number of automobiles has further led to such traffic congestion of the streets as to slow down the transportation speed, thus tending to increase the cost of electric railway service which the car riders must support. The patron of the traction company not only pays for the cost of his transportation, but he is required to contribute an additional sum to pave and keep in repair portions of the streets which are largely used by those who generally employ other means of conveyance. Students of this subject do not contend that electric railways should be relieved of the entire cost of street paving, because certain of the costs are peculiar to street railway construction, and are properly chargeable to these companies as are also certain of the maintenance expenses. In too many instances, however, a disproportionate part of the total paving expense is placed upon the company which, consequently, is shifted to the patron of the railway service.

Frequently it is assumed that car riders actually do not pay for this expense, and, therefore, the burden should not be transferred to the tax payers. This contention is based on the idea that such charges are really paid by the stockholders because of their willingness to accept a lower rate of return. Perhaps in some particular city an electric railway is unable to charge a fare high enough to cover the full cost of the service, including paving charges. Under such circumstances it would appear that the stockholders and not the car riders pay for the burden. However, as a rule when a public utility earns an inadequate return

through no fault of its own, it naturally tries to increase its return in every practicable way. It will perhaps furnish only a minimum amount of service, it may fail properly to maintain its equipment, and it also may neglect to make the necessary extensions and improvement of its system which the community growth demands, and which a more liberal return would permit. Obviously the car rider does not escape. The burden imposed upon him by such an expense has merely been changed from an excessive fare to inadequate and unreliable service.

#### TAX EXEMPTION

Some students of the problem of taxation maintain that public utilities should be exempt from all taxation because any taxes imposed upon them are ultimately shifted to their customers. Such a view obviously is not consistent with modern methods of utility operation, which assume that all the necessary cost of rendering the utility service, but no more, should be paid by those using it. If all the utilities, including street railways, were tax-exempt, this loss of revenue would necessitate the imposition of a heavier tax burden upon other taxable property or agents; and non-users of the utility service would be burdened with a charge that should be properly met by the utility patrons.

Street railways contend that they should not be required to pay greater taxes on property which, although located on the public streets, causes no more obstruction than other property or traffic. Free or reduced service, cleaning, sprinkling, and paving of streets, and any other such special service imposes upon these utilities a tax which is shifted to the users of the transportation service. Costs of this character which benefit the public in general should largely be covered by



general taxation, while those costs which are of a character properly assignable to the electric railway service should not be borne by the taxpayers in general, but rather by those who benefit directly from the service. Street railways should pay all equitable taxes levied upon their property, but should be relieved of such burdens as add nothing to their service and which benefit the public and other agencies of transportation. Since the patron of the utility service in all cases pays the burden, he should be required only to pay for that cost which in equity is directly assignable to the service which he uses.

#### RELIEF GRANTED THE RAILWAYS

Taxes derived from motor vehicles pay approximately 15 per cent of the construction costs of highways, or about 25 per cent of the current upkeep of the highways, not including construction costs or interest on such accumulated costs. It is assumed that 95 per cent of the present wear and tear of public highways is caused by motor vehicle traffic. The balance of the cost of highway maintenance is provided for through general taxation, to which the electric railways and other utilities

contribute. This contribution of the electric railways is in addition to the upkeep of their own trackage.

To offset this burden upon the railways and other utilities, various states since 1921 have increased the taxes upon gasoline used by motor vehicles. A few states have also undertaken to impose more adequately the burden of highway upkeep upon the users thereof through levying high license fees. In some cases these fees for heavy trucks exceed \$500 per annum. It was felt that these agencies should not be allowed to operate upon the public highways untrammelled and untaxed in utter disregard of the fundamental construction costs and depreciation for which the public and the street railways are taxed. When the burdens of highway cost and maintenance are fully imposed upon highway users through such taxes and fees, the rates for highway transportation must be increased materially. This will be necessary when these charges are added to the more direct operating expenses. As the charges which are thus imposed upon other carriers of passengers and merchandise are properly increased, the electric railways will be able to compete on a more equitable basis.

# VOTELESS WASHINGTON EXPRESSES ITSELF

BY DR. GEORGE C. HAVENNER

*Washington, D. C.*

*The effective work of spontaneous voters' associations in a district in which no one can vote, told by the President of the Anacostia Citizens' Association, an officer of the Federation of Citizens' Associations, and a former member of the Citizens' Advisory Council.    ::    ::    ::*

At the election held in November, 1800, the citizens of the District of Columbia were entitled to vote and cast their ballot for the president and vice-president of the United States. This was the last time that any citizen of the District participated in a national election. However, from 1800 until 1874 some form of local suffrage existed in the District of Columbia. But in 1874 congress abolished all forms of municipal suffrage in the District, thus leaving to its citizens the *petition* as the only method of making their wishes known, both to the municipal heads of the District government and to the congress of the United States.

## APPEARANCE OF CITIZENS' ASSOCIATIONS

A few years after the abolition of municipal suffrage, or about 1880, the first citizens' association came into being in southeast Washington. Two years later, in 1882, the Anacostia Citizens' Association was organized, and thenceforward citizens' associations were organized throughout the District. The purpose of these earlier associations was to work for community betterment. There was no unity of action between the several associations, each rivaling with the other to see which one could secure the greatest amount of municipal betterments, such

as sewer, water, street lighting, and street paving for the particular territory embraced within its boundaries. City-wide problems were seldom ever considered by these early associations. This condition of affairs continued until about twenty years ago, when the Federation of Citizens' Associations was organized.

## THE FEDERATION OF CITIZENS' ASSOCIATIONS

The purpose of the federation was to unify the action of its several constituent bodies and to discuss city-wide problems. I do not know how many bodies were affiliated with it at the time of its organization, but today we have 56 separate citizens' associations, with a membership of about 40,000. Each constituent body is entitled to elect two delegates to the federation. The term of all delegates is one year, but a delegate may be elected year after year for any number of years.

No association of a political, sectarian or purely social nature is eligible for membership in the federation.

In addition to our own federation there is a colored federation known as the Federation of Civic Associations. There are affiliated with this federation some 20 separate bodies with a membership of about 10,000, making the total membership of organized citizenry in the District of Columbia



about 50,000, representing about 40,000 homes. The purpose of the colored federation is the same as that of the white, namely, to coördinate the work of its several constituent bodies and to work for city-wide improvements.

#### ORGANIZATION OF THE CITIZENS' ADVISORY COUNCIL

In 1924 the commissioners of the District of Columbia suggested to the Federation of Citizens' Associations the organization of an advisory council to which they might refer matters affecting the District of Columbia in order to get the citizens' viewpoint on pending legislative matters and other questions. As a result of this suggestion a Citizens' Advisory Council was formed consisting of eight elected members, the president of the Federation of Citizens' Associations becoming the chairman ex officio of the council. The council as now constituted consists of nine members, seven white and two colored.

Each association affiliated with the two federations has the privilege of nominating a candidate for election to the Citizens' Advisory Council. A candidate for the council need not be a delegate to either one of the federations. The candidates nominated by the several constituent bodies of the two federations are elected by the delegates to the federations. The white federation elects six members to the council, and the colored federation two members to the council.

Since the creation of the council it has annually advised with the District commissioners relative to the budget. In fact, it has each year made up and submitted to them a budget of its own. Two of these budgets went into great detail covering every item of appropriation, while one recommended totals only for major divisions of the budget.

Each year the commissioners have furnished the council with a copy of the detailed estimates submitted to them by the various departmental heads of the municipal government in order to assist the council in its study of the budget.

The commissioners have also submitted to the council other matters for its consideration and advice.

Shortly after the council was organized both the House and Senate committees on the District of Columbia sent to the council all bills introduced in congress affecting the National Capital for its consideration and recommendations. This was followed during the last session of congress, and the chairmen of these two committees are this year again sending to the council all bills for its study and recommendation.

In connection with the estimates for appropriations for the municipal government of the District of Columbia, members of the Citizens' Advisory Council have each year appeared before the bureau of the budget and the appropriations committees of congress.

The council has also submitted with its budgetary recommendations to the Commissioners suggestions relative to legislation that it deemed of importance to the National Capital.

The *Evening Star* in an editorial under the heading "The Citizens' Association" in its issue of December 28, 1927, made the following comment upon the work of the citizens' associations, using as a basis for its editorial a report by Dr. Edward T. Devine, professor of social economy at the American University, upon the results of an inquiry made by the seminar in social economy:

Washington is fortunate in having a battery of eighty federated citizens' associations to concentrate the fire of its more than half a million

citizens upon public needs, which arouse and promote civic spirit, which give voice to the largest unit of disenfranchised people anywhere in the world. This is the concentrated verdict of noted students of sociology rendered to the American Sociological Society after a carefully directed, intensive and systematic study of the peculiar situation in the National Capital.

The mere fact of citizens discussing together any common need—for instance, sewers, better bus or car service, or the taking off of a sharp corner that makes driving difficult or dangerous—does help to make people think as citizens, and may have the effect of stimulating civic pride, Dr. Edward T. Devine, professor of social economy at the American University, said in making his report to the national society on the results of an inquiry made by the seminar in social economy.

Then he emphasized that the Washington plan is clearly superior to any which concentrate on influencing voters and limits its efforts to the brief period of a campaign. The Washington

associations were found to be free from this seasonal periodicity, often sustaining their interest throughout the year.

The seminar refutes the objection frequently raised against citizens' associations in the National Capital by those who question whether the associations are really seeking any ends not clearly recognized also by the District commissioners, the board of education and other official District bodies, and behind them the Federal congress itself, sitting as a local municipal legislature or working through its committees and subcommittees on District affairs. It points out that central authorities, unhampered by local demands, unenlightened by local petitions and protests, might, indeed, from a purely technical point of view, devise and carry forward a more symmetrical and comprehensive program, but they would be working in the dark. They would be without the very stuff in raw material from which a sound program can be made.

## THE BONDED DEBT OF 213 CITIES

AS AT JANUARY 1, 1928

BY C. E. RIGHTOR

*Chief Accountant, Detroit Bureau of Governmental Research, Inc.*

*For the first time, special assessment debt against property benefited has been included in Mr. Rightor's annual survey.    ::    ::    ::*

THE tabulation presents the total gross bonded indebtedness as at January 1, 1928, of 213 cities in the United States and Canada, and this total is classified as to general public improvements, schools, and utilities; the sinking fund total, and a similar classification reported in percentages only; the net bonded debt; the net bonded debt excluding self-supporting indebtedness, total and per capita; and gross special assessment debt.

The presentation is similar to that of former years. The cities are arranged according to the population estimates of the census bureau as at July 1, 1927. Temporary loans, made largely in an-

ticipation of either a tax levy or bond issue, are omitted as heretofore.

The primary purpose of the table is to indicate the total amount of debt outstanding as a liability of the property of the city. Such indebtedness will include, therefore, bonds issued by the city, and also, because of diversity in municipal organization, in numerous instances bonds issued by the school board having independent fiscal powers. In some states, the county issues school bonds. Frequently also it will be noted that there is an independent board having authority over a large metropolitan district which includes the city, such as sewer, park, forest or



other district. Where the boundaries of the city and other districts are coterminous, or nearly so, the debt is included, the notes giving an indication of deviations from this general condition.

It is agreed that a complete presentation of what is sought by this tabulation would require that the city's portion of county debt be included. In the reports of the census bureau, which are more extensive, for fifteen of the cities in groups I and II a portion of the county debt is included with that of the city. This debt is here included only in cases of city-county consolidation, as it would be difficult to ascertain the amount in most cases. Furthermore, the amount of such indebtedness is relatively small. Similarly, a portion of state debt might in theory be included, but no attempt is made to compile it.

Inasmuch as municipally owned and operated utilities ordinarily pay their own way at least to the extent of their debt service, it is desirable to indicate the net debt charges which must be met from the general tax levy, and for this reason there is shown a separate column entitled "net debt excluding self-supporting." The per capita debt reported, accordingly, is for only such portion of the total debt as must be retired ultimately by direct property taxation. It is recognized that even here difficulties arise, as some cities having self-supporting utilities have provided that the utility indebtedness shall be retired from general taxation, and in such cases the utility debt has not been deducted to arrive at the net debt used as a basis for computing the per capita indebtedness.

#### SPECIAL ASSESSMENT DEBT

The procedure of former years has been deviated from in the case of special assessment debt, which heretofore has been omitted except as to the city's

portion. This was on the ground that special assessments are not a city-wide tax, but rather are usually levied against only a limited portion of the city's total valuation. Because special assessments are being utilized more and more to finance certain kinds of governmental functions, however, it seems desirable to indicate the extent of such practice in the several cities. In some instances, special assessment bonds have the faith and credit of the city behind them. The total of such debt is not, however, included in the computing net per capita debt, owing to varying circumstances attending the use of assessments, and to incomplete reports this year.

On the other hand, the aggregate debt burden upon the taxable property of the city is believed to be more accurately reflected when this form of debt is considered. It may be noted, for example, that California cities utilize this means of financing street paving, sewers, water mains, street lighting, storm drains, parks, bridges, etc., whereas many other cities pay for such improvements from taxes or bonds. Los Angeles spends possibly \$20,000,000 annually for such local improvements. Kansas City, Mo., also uses special assessments extensively, but as they are not legal obligations of the city, accurate estimate of the total outstanding at any time cannot be made.

A tabulation so condensed naturally has but limited use. In making comparisons full consideration should be given to the detailed facts respecting any city. While but a single purpose is in mind in compiling these data, numerous conditions make the problem a complicated one. State laws commonly set up independent provisions with respect to the kind of debt that shall be included in preparing debt limitation statements of cities. Vary-

ing areas of the political subdivisions having power to incur debt, and certain difficulties of classification, are also encountered. It is not always possible to obtain a separation of the sinking fund by purposes, but this is set up in all cases when reported. Attempt is made to present such figures for each city as will result in the most nearly uniform total possible for comparisons.

A statistical summary does not analyze the bonds by purposes or term, thus indicating the wisdom or necessity of issue, nor does it gauge the adequacy of provision for their amortization. It may be noted that the amount of sinking fund as compared with the gross debt is usually relatively small. This may be construed as due to the fact that cities are more and more availing themselves of the issuance of serial bonds, as in the Massachusetts cities. Some notable exceptions, however, are those of the larger cities. Philadelphia, for example, recently decided not to adopt the serial as against the sinking fund type of bonds. In general, serial bonds are growing in popularity over term bonds. Possibly most fortunate are those cities which have adopted a pay-as-you-go plan, as, for example, Chicago, Boston, and Lansing have done in building schools.

#### RANGE IN NET DEBT

Analysis of the figures of net non self-supporting debt shows that the city having the lowest debt, excluding Washington, which has no debt, is Moline, with a per capita debt of \$8.19. The highest per capita city is Asheville, \$200.58. For the Canadian cities, the range is between Winnipeg, with a per capita debt of \$64.34, and Edmonton, \$283.88.

#### TREND OF INDEBTEDNESS

Comparison of the gross debt of the cities for 1928 and 1927 shows a gradual

increase. Of eleven comparable cities in Group I, omitting New York City, Pittsburgh, and Washington, the net increase in gross debt was \$121,788,125, or a per capita increase of \$9.40. Of these eleven, nine cities had an increase, and two a slight reduction. Nine of the eleven cities in Group II, omitting New Orleans and Seattle, which did not report, had a net increase of \$27,997,132, or \$8.34 per capita. Only one city of this group, Minneapolis, reported a slight reduction. It was impossible to extend this comparison to the net debt excluding self-supporting, owing to changes within the bonds so included in several of these cities.

The *Bond Buyer* reports sales of state and municipal bonds during 1927 amounting to nearly \$1,500,000,000. Inasmuch as maturities are not occurring at this rate, the net debt of our cities is definitely upward. It must be pointed out that this is a natural condition, due to the increase in population of our cities, and to the consequent demands for such physical facilities as sewers, schools, water supply and other public services. The cost of such facilities cannot be reasonably met from current taxation and departmental revenues. For this reason, it seems illogical to compare the trend of local debt with the downward trend of Federal debt, and infer that the former should also be gradually reduced.

It is not the purpose of this commentary to argue in favor of bond issues versus a current financing policy for any city, but it is deemed worth while to indicate the wisdom of bonding and the consequent benefits derived. In a recent publication of the Northern Trust Company of Chicago appeared the following:

From time to time questions have been raised regarding the supposed tendency on the part of municipalities toward a heavy increase in their indebtedness. Taxpayers, particularly, are in-



terested in the answer to these questions. Municipal expenditures, wisely made on the part of officials, return to the inhabitants of the municipality benefits which in many instances are several times their cost. In the voting of municipal bonds taxpayers are authorizing a benefit not only for their neighbors but for themselves. In so doing, the happiness and progress of the nation is increased.

The unusual growth of modern American municipalities during the past few decades has necessitated an extension of the scope of their endeavors. The fact that municipalities are doing more today than ever before for their inhabitants should offset the general alarm as to increasing debt, inasmuch as the wealth of the people has shown an increase proportionately much greater than municipal expenditures.

That this condition is recognized by the cities themselves is evidenced from certain data compiled by the *Bond Buyer*, which reports that during 1927 authorizations by the taxpayers totaled \$560,714,514. This compares with \$606,933,170 so approved in 1926. In December, for example, voters of 98 municipalities in 28 states approved \$68,526,625, and rejected about \$25,000,000. Among the authorizations might be noted that of an improvement program for Dallas totaling \$23,900,000, which was approved in December. On the other hand, the electorate of Chicago, in April of this year, voted down by a two to one vote thirty-one issues for over \$70,000,000. It will be recalled that a year ago Chicago voters approved thirteen separate proposals, totaling \$21,390,000, by a five to one vote. These are but instances of the enduring ability of the voters to discriminate in marking their ballots.

Another indication that debt incurrence is not unreasonable is indicated in the current prices of bonds. Municipal bonds are next in price to government bonds, with a higher price than any other form of security. This high level was consistently maintained during 1927. The maturity of certain

Liberty Loans has had somewhat to do with the demand for municipals, owing to the slightly greater yield of the latter. Purchasers of municipal bonds may not in fairness be charged with tax-dodging, however, because the acceptance of a lower yield on municipal bonds really means an ultimate advantage to the borrowing community. If only net return were considered investors naturally would place their money in high grade industrial public utility, railroad, and even foreign bonds.

#### NEW YORK LAW AMENDMENT

Many cities throughout the country were greatly interested in the proposed legislation in New York which would remove restrictions upon available funds in that state for investment in municipal securities. As was noted last year, interim legislation was enacted permitting the issuance of bonds for a limited time. The 1928 session of the New York legislature finally enacted four bills, which received the signature of the governor, greatly widening the field of investment for such funds. These laws included primarily one relating to the bonds of cities. The former 7 per cent of assessed valuation restriction was removed, and cities and school districts in excess of 150,000 population, with an assessed real property valuation in excess of \$200,000,000, and with no tax limit provision in their statutes or local charters, were placed in a class on which there is no restriction as to the amount of bonds which may be issued and continue to remain legal investment in New York State. For cities over 10,000 population, the new limit is 12 per cent of the real property valuation for taxation purposes, and for counties, 5 per cent.

The other laws enacted permit limited investment of funds in certain

public utilities, as electric, gas and telephone companies, railroads, etc.

COMPARISON WITH ASSESSED  
VALUATION

It is of interest to know the relation of total gross or net debt to the assessed valuation of any city. This information may be obtained by reference to the assessed valuations reported by the cities in the comparative tax rate data

published in the December, 1927, REVIEW.

Requests for data were sent to 286 cities in the United States and 19 cities in Canada. The cordial coöperation of the public officials which has made possible the compilation is appreciated, especially in this era of questionnaires. It is hoped that the results will justify their coöperation for future compilations.



# BONDED DEBT OF 213 CITIES AS AT JANUARY 1, 1928

COMPILED BY THE DETROIT BUREAU OF GOVERNMENTAL RESEARCH, INC.

From Data Furnished by Members of the Governmental Research Association, City Officials, and Chambers of Commerce

City	Census July 1, 1927	General improvement bonds	Public school bonds	Public utility bonds	Total gross bonded debt	Sinking fund			Net general bonded debt		Total gross special as- sessment debt	Per capita net general debt exclud- ing self-sup- porting and special as- sessment
						Total	General improve- ment (per cent.)	Public school (per cent.)	Public utility (per cent.)	Total		
Group I												
Population 500,000 and over												
2. Chicago, Ill. <sup>1</sup>	3,102,800	\$210,000,150	N.	\$59,861,000	\$217,610,650	\$101,543,543	85	15	..	\$217,610,650	N.	\$70.13
3. Philadelphia, Pa. <sup>2</sup>	2,035,900	423,159,600	\$59,861,000	72,897,114	483,020,600	23,129,628	38	35	27	381,477,056	351,477,056*	172.63
4. Detroit, Mich. <sup>3</sup>	1,334,500	99,515,268	62,376,350	103,695,250	234,768,730	12,853,098	2	33	65	202,070,445	160,205,028	120.05
5. Los Angeles, Calif. <sup>4</sup>	1,280,000	48,401,804	28,263,000	34,677,500	148,212,304	23,826,934	77	13	10	124,385,370	91,998,226	99.19
6. Cleveland, Ohio <sup>5</sup>	984,500	85,271,804	29,313,000	11,053,000	54,059,000	12,164,926	78	6	16	41,894,074	32,783,307	93.45
7. St. Louis, Mo. <sup>6</sup>	839,200	40,787,000	2,219,000	26,791,370	60,116,843	35,895,350	93	2	5	124,221,493	99,285,253	121.22
8. Baltimore, Md. <sup>7</sup>	819,000	112,036,281	21,389,182	141,829,101	160,116,843	45,602,658	62	17	21	96,226,443	54,112,513	68.23
9. Boston, Mass. <sup>8</sup>	793,100	77,076,601	13,230,800	51,521,700	82,050,600	6,618,855	..	..	57	82,050,600	51,485,722	89.38
11. San Francisco, Calif. <sup>9</sup>	576,000	18,881,600	16,675,000	46,494,000	84,439,446	6,618,855	43	..	..	77,820,591	64,752,756	117.73
12. Buffalo, N. Y. <sup>10</sup>	550,000	39,326,082	28,286,000	10,827,364	84,439,446	6,618,855	43	..	..	77,820,591	64,752,756	117.73
13. Washington, D. C. <sup>11</sup>	540,000	No bonded debt	28,286,000	10,827,364	84,439,446	6,618,855	43	..	..	77,820,591	64,752,756	117.73
14. Milwaukee, Wis. <sup>12</sup>	536,400	34,831,350	8,645,750	90,000	43,067,100	3,211,800	79	20	1	39,855,300	N.	74.16
Group II												
Population 300,000 to 500,000												
15. Newark, N. J. <sup>13</sup>	466,700	\$42,432,000	\$18,463,200	\$18,140,000	\$79,035,200	\$3,947,804	60	23	17	\$65,087,396	\$7,350,000	\$105.77
16. Minneapolis, Minn. <sup>14</sup>	447,700	21,648,810	22,341,862	42,986,000	48,886,672	4,831,362	62	7	31	44,055,310	13,698,037	98.40
18. Cincinnati, Ohio <sup>15</sup>	412,200	56,600,682	13,314,500	42,986,000	112,809,412	36,013,695	31	52	17	76,795,717	2,467,312	124.04
19. Kansas City, Mo. <sup>16</sup>	383,100	19,097,355	21,774,500	13,200,000	53,901,855	10,139,104	31	60	17	43,762,751	32,392,865	84.55
21. Indianapolis, Ind. <sup>17</sup>	374,300	14,627,550	10,682,000	N.	25,309,550	957,310	40	60	..	24,352,240	8,582,238	65.06
22. Rochester, N. Y. <sup>18</sup>	324,500	21,268,500	10,245,720	11,018,000	43,432,220	5,314,157	25	11	64	38,118,063	29,600,759	91.22
23. Jersey City, N. J. <sup>19</sup>	321,500	18,711,833	13,276,500	19,656,755	51,645,088	22,742,924	75	7	18	28,902,164	13,495,504	41.97
24. Louisville, Ky. <sup>20</sup>	320,100	16,854,500	6,466,400	1,079,000	24,399,900	3,894,085	81	9	10	20,505,815	19,821,833	61.92
25. Toledo, Ohio <sup>21</sup>	305,400	24,874,300	12,958,000	1,730,000	39,622,300	7,186,032	82	18	..	32,436,268	2,283,375	100.34
Group III												
Population 100,000 to 300,000												
26. Columbus, Ohio <sup>22</sup>	291,400	\$19,556,200	\$11,471,500	\$9,541,000	\$40,568,700	\$16,158,095	78	..	22	\$24,410,605	\$11,798,375	\$57.59
27. Denver, Colo. <sup>23</sup>	289,800	14,373,600	10,297,000	11,573,600	46,174,200	4,071,198	86	..	14	45,767,002	18,502,800	36.71
28. Portland, Ore. <sup>24</sup>	282,800	16,414,246	8,500,602	17,635,000	42,549,848	5,461,629	49	..	51	37,088,219	6,642,739	78.76
29. Providence, R. I. <sup>25</sup>	280,600	15,693,000	6,700,000	17,013,000	40,306,000	13,927,828	50	14	36	26,378,172	N.	47.81
30. Oakland, Calif. <sup>26</sup>	267,300	4,640,882	14,972,183	7,919,000	32,364,065	..	..	..	..	32,364,065	22,364,065	83.67
31. St. Paul, Minn. <sup>27</sup>	250,100	13,344,000	9,546,000	7,701,000	30,594,000	3,141,512	68	..	32	27,452,488	7,900,000	82.99
32. Atlanta, Ga. <sup>28</sup>	249,000	6,593,000	4,175,000	3,544,000	14,312,000	2,600,001	64	9	27	11,711,999	8,858,721	85.58
33. Akron, Ohio <sup>29</sup>	220,000	22,366,318	7,404,663	10,362,000	40,132,981	2,063,735	40	16	44	38,069,246	28,605,257	35.58
34. Omaha, Neb. <sup>30</sup>	219,200	10,830,750	11,392,000	11,392,000	33,863,130	5,232,697	13	17	70	30,539,433	22,872,112	130.02
35. Birmingham, Ala. <sup>31</sup>	217,500	7,274,500	8,822,000	127,000	16,223,500	1,052,332	..	..	..	15,171,168	4,006,500	69.75

BONDED DEBT OF 213 CITIES AS AT JANUARY 1, 1928—Continued

City	Census July 1, 1927	General improvement bonds	Public school bonds	Public utility bonds	Total gross bonded debt	Sinking fund				Net general bonded debt		Total gross special as- essment debt	Per capita net general debt exclud- ing self-sup- porting and special as- essment
						Total	General improve- ment (per cent)	Public school (per cent)	Public utility (per cent)	Total	Excluding self-suppor- ting		
Group III—Continued Population 100,000 to 800,000													
36. Dallas, Texas	211,600	\$ 8,978,500	\$7,008,850	\$ 6,608,000	\$22,595,350	\$2,579,106	68	..	32	\$20,016,244	\$14,252,430	..	\$67.36
37. Worcester, Mass.	195,500	5,202,000	993,000	5,856,800	12,051,800	3,371,062	49	..	51	8,480,738	4,445,960	N.	22.74
38. Richmond, Va. <sup>27</sup>	181,800	23,464,185	4,806,395	7,213,550	35,058,130	8,422,947	67	13	20	26,635,183	21,104,804	N.	110.03
39. New Haven, Conn.	184,900	10,637,000	806,000	N.	35,058,130	1,091,215	..	..	..	10,351,785	10,351,785	\$1,511,638	55.98
40. Dayton, Ohio	180,700	10,659,303	3,306,108	4,487,000	22,332,303	3,044,707	83	..	17	19,287,596	16,322,270	N.	84.79
41. Norfolk, Va. <sup>28</sup>	179,200	19,270,333	3,306,108	15,855,058	38,431,500	3,728,159	84	24	16	37,703,341	18,731,858	N.	104.53
42. Hartford, Conn.	168,300	6,075,481	9,672,500	5,860,000	20,610,981	3,089,013	56	..	20	17,521,968	13,270,518	N.	78.85
43. Fort Worth, Texas	163,600	11,315,000	5,083,500	5,083,500	21,884,500	1,695,000	59	..	41	20,199,500	15,393,639	N.	94.09
44. Grand Rapids, Mich.	161,900	5,705,000	3,923,000	N.	13,018,000	1,518,139	51	..	49	13,494,861	10,316,355	N.	63.72
45. Bridgeport, Conn.	153,000	9,779,000	4,139,000	N.	13,918,000	..	..	..	..	13,918,000	13,918,000	N.	90.97
46. Des Moines, Iowa	148,900	5,678,899	8,191,500	5,200,000	19,070,399	427,539	13	..	87	18,642,860	13,815,354	N.	92.78
47. Springfield, Mass.	147,000	5,593,500	8,191,500	3,283,000	16,940,900	162,897	..	25	35	10,700,431	6,960,572	N.	48.00
48. Oklahoma City, Okla.	145,000	8,632,864	8,423,774	3,526,896	19,983,534	5,497,069	63	..	37	17,505,234	13,978,338	..	97.21
49. Paterson, N. J.	145,500	6,686,500	5,432,000	3,453,500	18,272,000	2,478,300	63	11	68	17,441,119	14,856,389	..	104.11
50. Flint, Mich.	142,700	16,501,000	5,813,628	1,940,000	26,254,628	830,881	74	21	5	24,498,528	22,649,478	..	2,008,607
51. Jacksonville, Fla. <sup>29</sup>	138,900	8,928,000	5,298,000	1,900,000	16,126,000	1,756,100	85	15	..	14,118,540	12,218,540	..	87.97
52. Nashville, Tenn. <sup>30</sup>	137,800	9,673,000	1,960,000	3,794,000	15,433,000	2,007,460	..	..	..	14,973,935	14,973,935	..	705,000
53. Salt Lake City, Utah <sup>31</sup>	135,700	8,419,570	5,738,514	996,000	15,154,085	3,181,981	63	25	12	11,972,104	11,375,690	..	83.22
54. Canton, N. J.	133,100	3,091,500	..	2,823,700	5,915,200	..	..	..	..	5,915,200	5,915,200*	..	43.59
55. Camden, N. J.	133,000	8,485,255	4,151,750	1,312,000	13,949,005	2,836,375	76	17	7	11,112,630	10,010,690	..	75.21
56. Fall River, Mass.	132,600	7,219,300	2,941,000	1,216,000	11,376,300	2,059,333	51	7	42	9,316,967	8,970,161	N.	67.65
57. Wilmington, Del. <sup>32</sup>	126,400	6,679,500	1,085,000	3,714,000	10,878,500	463,029	..	..	..	10,415,471	6,701,471	..	52.98
58. Erie, Pa.	125,000	4,220,000	4,026,000	230,000	8,476,000	607,014	72	..	28	7,868,986	7,868,986	..	62.95
59. Cambridge, Mass.	123,900	7,624,300	654,750	951,000	9,230,050	3,219,219	87	..	13	6,018,831	5,461,815	..	44.08
60. Albany, N. Y.	119,500	9,935,305	4,652,210	3,361,000	18,148,515	1,786,816	78	..	22	16,361,699	13,185,924	..	110.34
61. New Bedford, Mass.	119,040	8,967,000	2,745,000	1,313,000	13,025,000	775,365	..	..	..	12,249,635	10,984,635	N.	92.28
62. Fonks, N. Y.	118,800	9,151,347	8,263,980	2,730,500	20,145,827	..	94	..	6	20,145,827	17,415,827	..	146.59
63. Kansas City, Kans. <sup>33</sup>	117,500	3,678,376	2,666,500	6,653,000	12,997,876	1,426,703	..	8	82	11,571,173	6,087,989	..	51.81
64. San Diego, Calif.	115,300	3,972,691	2,625,000	10,284,534	16,882,225	1,002,600	..	..	..	15,879,625	5,595,091	..	48.52
65. Duluth, Minn. <sup>34</sup>	114,700	4,570,000	4,325,000	3,360,000	12,255,000	..	..	..	..	12,255,000	8,895,000	..	77.55
66. Reading, Pa.	114,500	2,755,000	6,430,400	1,136,000	10,321,400	915,918	22	66	12	9,405,482	8,376,007	..	73.15
67. Elizabeth, N. J.	114,000	1,353,000	4,347,350	..	5,700,850	488,810	..	..	..	5,212,040	5,212,040	..	45.72
68. Canton, Ohio	113,300	7,723,440	7,047,000	1,509,637	16,280,077	3,264,903	92	56	..	13,015,174	11,505,537	..	101.55
69. Spokane, Wash. <sup>35</sup>	109,000	3,063,000	2,364,000	1,750,000	7,177,000	1,985,851	32	8	12	5,191,149	3,760,315	..	143,157
70. Tampa, Fla. <sup>36</sup>	107,800	8,553,500	..	3,121,000	11,654,000	1,462,713	97	..	3	10,191,787	7,119,978	..	66.05
71. Tacoma, Wash. <sup>37</sup>	107,200	4,490,541	..	6,758,995	13,834,536	2,106,348	96	..	4	11,728,188	5,057,138	..	1,584,838
72. Lynn, Mass.	104,800	3,867,630	..	1,730,000	6,697,630	718,321	20	20	60	6,221,309	5,310,676	..	50.67
73. Long Beach, Calif. <sup>38</sup>	104,200	7,373,635	6,993,643	5,295,000	19,662,278	409,549	8	88	4	19,252,739	13,972,729	..	134.09
74. Fort Wayne, Ind.	103,100	594,500	4,042,000	149,000	4,785,500	..	..	..	..	4,785,500	4,636,500	..	44.97
75. Somerville, Mass.	101,600	1,787,000	..	N.	2,311,000	..	..	..	..	2,311,000	2,311,000	N.	22.74



BONDED DEBT OF 213 CITIES AS AT JANUARY 1, 1928—Continued

City	Census July 1, 1927	General improvement bonds	Public school bonds	Public utility bonds	Total gross bonded debt	Sinking fund				Net general bonded debt		Total gross special as- sessment debt	Per capita net general debt exclud- ing self-sup- porting and special as- sessment	
						Total	General im- prove- ment (per cent)	Public school (per cent)	Public utility (per cent)	Total	Excluding self-support- ing			
GROUP IV Population 50,000 to 100,000														
88. Savannah, Ga. <sup>a</sup>	99,700	\$4,837,000	\$3,547,000	\$240,000	\$5,077,000	\$202,000	25	72	3	\$4,875,000	\$4,635,000*	\$557,996	\$46.49	
89. Alantown, Pa.	97,000	2,303,700	2,586,000	75,000	5,925,700	496,223	100	..	..	5,429,477	5,370,690	246,800	55.37	
90. Evansville, Ind.	96,600	1,930,300	1,697,500	N.	4,516,300	113,434	100	21	..	4,402,866	4,402,866	..	45.58	
91. Wichita, Kans.	96,100	3,840,724	1,694,500	240,000	5,538,224	126,842	79	..	..	5,411,382	5,411,382	3,605,355	56.31	
92. Lawrence, Kans.	93,500	3,035,000	1,654,983	4,482,751	4,969,500	31,734	50	49	100	4,937,766	4,729,500	..	50.58	
94. Bayonne, N. J.	93,100	3,160,381	4,563,983	N.	12,207,115	2,923,785	100	..	..	9,953,330	9,476,615	842,717	58.82	
97. Wilkes-Barre, Pa.	90,900	2,583,000	737,000	N.	3,320,000	69,854	100	..	..	3,250,146	3,250,146	400,600	35.76	
98. Harrisburg, Pa.	85,700	5,317,500	4,070,500	134,000	9,388,000	576,209	44	56	..	8,811,491	8,811,491	422,600	102.82	
100. Manchester, N. H.	84,800	3,163,834	2,030,166	138,639	5,328,000	138,639	..	..	..	5,189,361	5,055,361	..	59.61	
101. South Bend, Ind.	84,200	1,000,000	3,565,000	1,050,000	4,615,000	240,278	75	..	25	4,374,722	3,384,992	N.	40.20	
102. Peoria, Ill.	83,500	285,000	592,000	N.	877,000	..	..	..	..	877,000	877,000	1,158,268	10.50	
103. Highland Park, Mich.	81,700	3,035,400	4,945,000	1,316,626	9,297,026	2,913,573	59	41	..	6,383,453	5,066,827	804,800	62.02	
104. Rockford, Ill.	80,900	575,900	1,732,500	325,000	2,633,400	231,500	35	44	21	2,401,900	2,401,900	3,499,850	29.69	
107. Shreveport, La.	78,000	3,507,950	2,491,000	2,933,500	8,932,450	373,227	21	69	10	8,559,223	5,664,223	N.	72.62	
108. Little Rock, Ark.	77,500	1,888,000	2,020,000	N.	3,908,000	..	..	..	..	3,908,000	3,908,000	5,750,000	50.42	
110. Winston-Salem, N. C.	77,100	5,924,506	2,398,000	2,908,494	11,231,000	215,048	..	..	..	11,015,952	8,107,458	4,998,000	105.16	
111. Lansing, Mich. <sup>ss</sup>	75,600	833,000	N.	5,009,600	5,812,600	508,361	1	..	99	5,304,230	798,000	1,260,685	10.56	
112. Charleston, S. C. <sup>ss</sup>	75,000	4,928,000	1,964,000	3,342,240	9,418,000	624,910	23	18	59	8,793,090	5,213,983	2,381,000	69.52	
113. Sacramento, Calif.	74,600	5,393,500	4,887,000	3,342,240	13,622,740	..	..	21	..	13,622,740	10,280,500	2,380,312	137.81	
114. Saginaw, Mich.	74,400	3,239,500	4,922,500	3,243,000	8,496,000	737,897	57	21	22	7,758,003	4,630,264	..	62.23	
115. Birmingham, N. Y.	73,900	3,448,250	3,521,000	90,000	7,059,250	219,493	100	52	..	6,839,847	6,749,847	..	91.34	
117. Johnston, Pa.	73,000	4,922,500	4,259,000	N.	9,181,500	1,192,500	48	..	..	7,988,980	7,988,980	..	109.44	
118. Chattanooga, Tenn.	72,900	7,218,700	2,558,000	821,000	9,777,200	260,002	100	..	..	9,517,198	9,517,198	301,922	130.55	
119. Terre Haute, Ind.	72,700	1,375,000	1,595,000	N.	2,973,000	72,768	100	..	..	2,900,234	2,900,234	N.	39.89	
120. Chester, Pa.	72,300	3,055,000	1,835,000	N.	4,890,000	1,234,689	32	48	..	3,655,331	3,655,331	390,200	50.56	
125. New Britain, Conn. <sup>ss</sup>	71,200	2,006,000	3,402,000	1,741,000	7,149,000	508,598	46	27	..	6,642,496	5,037,846	N.	70.76	
126. Hoboken, N. J.	71,000	8,279,721	3,597,635	334,000	12,231,356	3,108,892	80	18	2	9,122,474	8,827,419	207,242	124.33	
127. Passaic, N. J. <sup>ss</sup>	70,800	4,447,561	3,338,750	2,131,150	9,917,461	1,443,116	65	35	..	8,472,345	6,341,195	..	89.56	
128. Lincoln, Neb. <sup>ss</sup>	69,900	544,213	4,501,000	300,000	5,345,213	120,199	38	..	62	5,225,014	5,099,778	1,089,919	72.96	
129. Berkeley, Calif. <sup>ss</sup>	69,400	509,502	2,482,250	N.	2,991,752	..	..	..	..	2,991,752	2,991,752	159,106	43.11	
130. Wheeling, W. Va.	68,660	1,701,400	40,000	2,000,000	3,741,400	382,263	66	24	34	3,359,137	1,489,137	50,000	30.17	
133. Altoona, Pa.	67,000	824,689	2,070,000	347,000	3,241,689	873,420	76	..	..	2,368,269	1,066,779	..	160.16	
135. Niagara Falls, N. Y.	66,600	5,113,650	5,553,129	1,983,130	12,649,000	..	..	..	..	12,649,909	10,666,779	..	66.75	
138. Quincy, Mass.	65,300	2,091,000	2,268,000	1,983,130	5,180,000	..	..	..	100	3,421,562	2,550,300	..	39.06	
139. Brockton, Mass.	65,300	1,851,800	698,500	1,458,600	4,008,000	587,338	..	..	..	4,592,905	4,592,905	..	70.79	
140. Union City, N. J.	64,000	2,837,781	2,353,500	N.	5,191,281	659,376	..	..	..	5,553,177	4,832,737	2,300	76.35	
141. East Orange, N. J.	63,300	3,096,500	2,418,245	1,488,000	7,002,745	1,449,568	20	27	53	6,710,963	6,710,963	N.	106.19	
142. Roanoke, Va.	63,200	4,770,000	2,650,000	N.	7,420,000	709,063	..	..	..	4,827,500	4,827,500	..	77.61	
143. Fresno, Calif.	62,900	662,500	4,165,000	N.	4,827,500	..	..	..	..	7,016,447	6,855,447	1,110,037	110.22	
144. Lakewood, Ohio	62,200	3,307,000	4,825,299	161,000	8,293,299	233,125	68	16	..	7,016,447	6,855,447	1,110,037	110.22	
145. Topeka, Kans.	61,900	1,826,273	928,000	660,000	3,414,273	233,125	..	..	16	3,181,148	2,557,575	1,795,795	41.32	

**BONDED DEBT OF 213 CITIES AS AT JANUARY 1, 1923—Continued**

City	Census July 1, 1927	General improvement bonds	Public school bonds	Public utility bonds	Total gross bonded debt	Sinking fund				Net general bonded debt		Total gross special as- sessment debt	Per capita net general debt exclud- ing self-sup- porting and special as- sessment
						Total	General im- prove- ment (per cent)	Public school (per cent)	Public utility (per cent)	Total	Excluding self-support- ing		
Group IV—Continued Population 60,000 to 100,000													
147. Portsmouth, Va.	60,700	\$5,104,300	\$920,000	\$3,150,000	\$9,174,300	\$1,101,360	33	..	67	\$8,072,940	\$5,658,021	.....	\$93.21
148. Pasadena, Calif. <sup>39</sup>	60,500	5,046,891	5,117,000	2,247,459	12,411,350	843,361	45	35	20	11,567,989	9,490,709	\$1,641,000	156.87
149. Holyoke, Mass. <sup>41</sup>	60,400	2,359,000	.....	2,399,000	4,758,000	.....	.....	.....	.....	4,758,000	2,359,000	.....	39.06
150. Wichita Falls, Texas	58,000	2,676,000	1,962,000	940,000	5,578,000	223,131	16	57	27	5,345,869	4,473,916	N.	77.14
151. Lancaster, Pa.	57,700	1,625,000	1,990,000	N.	3,615,000	322,653	.....	100	.....	3,292,347	3,292,347	N.	57.07
154. Augusta, Ga.	56,200	3,036,900	319,000	200,000	3,555,900	429,355	100	.....	.....	3,126,545	2,926,545	.....	52.07
156. Newton, Mass.	56,000	2,803,500	2,283,000	489,000	5,575,500	941,254	88	.....	12	4,634,246	4,257,929	.....	76.03
158. Oak Park, Ill.	55,300	364,750	1,024,000	160,000	1,548,750	.....	.....	.....	.....	1,548,750	1,388,750	3,352,100	24.98
159. Kalamazoo, Mich.	55,000	101,250	2,499,000	160,000	2,668,500	.....	29	71	.....	2,630,016	2,561,766	1,228,100	46.32
160. Kenosha, Wis.	54,600	258,000	2,527,000	321,000	3,106,000	.....	.....	.....	.....	3,106,000	2,785,000	.....	51.01
161. Beaumont, Texas <sup>40</sup>	54,400	3,627,000	1,081,038	1,972,250	6,680,288	.....	.....	.....	.....	6,680,288	4,708,038*	.....	86.54
162. Pontiac, Mich.	54,200	1,897,250	2,437,375	1,525,500	5,860,125	583,861	18	70	12	5,276,264	3,821,466	1,086,800	70.51
163. Atlantic City, N. J.	54,200	8,667,000	4,986,000	3,114,000	16,767,000	3,546,357	57	14	29	13,220,643	11,134,588	990,000	205.44
165. Cedar Rapids, Iowa.	54,100	1,769,500	1,466,000	346,000	3,581,500	52,391	.....	100	.....	3,529,109	3,183,109	.....	58.84
168. Malden, Mass.	52,900	1,729,000	1,191,700	48,000	2,968,700	251,781	92	.....	8	2,716,919	2,691,155	.....	50.87
171. Newport News, Va.	51,700	2,477,000	940,000	3,271,000	6,688,000	658,966	100	.....	.....	6,029,034	2,758,034	.....	53.35
172. New Castle, Pa. <sup>41</sup>	51,600	1,045,000	.....	N.	1,045,000	16,905	100	.....	.....	1,028,095	1,028,095	373,181	19.92
174. Springfield, Mo.	51,200	894,000	614,500	N.	1,508,500	126,709	32	68	.....	1,381,791	1,381,791	N.	26.99
175. Greensboro, N. C.	50,300	3,355,370	1,005,000	2,571,630	6,932,000	335,907	66	.....	34	6,596,093	4,138,046	6,798,000	82.27
Group V Population 30,000 to 60,000													
179. Stockton, Calif.	49,800	\$3,119,400	\$1,436,000	N.	\$4,555,400	.....	.....	.....	.....	\$4,555,400	.....	.....	\$91.47
180. Elmira, N. Y.	49,500	1,595,500	610,000	\$1,090,000	3,295,500	.....	.....	.....	.....	3,295,500	2,205,500	.....	44.55
181. York, Pa.	49,400	1,419,000	873,000	N.	2,292,000	\$442,975	85	15	.....	1,849,025	1,849,025	.....	37.43
182. Haverhill, Mass.	49,250	1,294,000	393,000	171,000	1,768,000	152,467	95	5	.....	1,645,533	1,474,532	N.	29.95
183. Bay City, Mich.	49,200	294,500	2,025,000	2,163,000	4,482,500	764,595	44	48	8	3,717,905	1,873,720	\$157,000	38.08
184. East Chicago, Ind.	49,100	1,035,365	1,301,000	1,956,000	4,292,365	158,179	16	84	.....	4,134,186	2,178,186	1,665,953	44.36
185. Perth Amboy, N. J.	49,100	724,000	1,642,000	2,992,000	5,358,000	833,625	30	31	39	4,524,375	2,021,553	.....	41.17
186. Pittsfield, Mass.	49,100	1,027,400	389,000	768,000	2,174,400	.....	.....	.....	.....	2,174,400	1,416,400	N.	28.84
187. Chelsea, Mass.	49,000	1,938,240	1,248,500	N.	3,186,740	479,768	58	42	.....	2,706,972	2,706,972	N.	58.84
188. Madison, Wis.	48,800	2,141,000	2,130,500	648,000	4,919,500	380,015	.....	.....	.....	4,539,485	3,891,485	1,533,440	94.77
189. Lima, Ohio	48,700	3,979,443	1,052,102	1,031,800	6,063,345	415,885	100	.....	.....	5,647,460	4,615,660	1,533,440	94.77
190. St. Petersburg, Fla. <sup>41</sup>	48,500	6,705,600	.....	4,294,000	10,999,600	567,737	.....	.....	.....	10,431,863	6,137,863*	14,195,000	126.55
193. New Rochelle, N. Y.	47,300	4,181,997	3,961,676	N.	8,143,673	297,740	.....	.....	.....	7,845,383	7,845,383	752,421	165.88
196. Battle Creek, Mich.	46,100	1,283,000	1,667,000	N.	2,950,000	.....	.....	.....	.....	2,943,000	2,043,000	.....	44.32
198. Muncie, Ind.	45,800	446,678	1,067,000	N.	1,513,678	757,694	.....	.....	.....	1,513,678	1,513,678	.....	33.05
199. Durham, N. C.	45,700	5,599,937	1,057,130	3,700,323	10,357,500	921,446	45	20	35	9,998,896	9,998,896	.....	218.79
200. Waco, Texas	45,700	2,031,000	1,230,100	807,000	4,068,100	.....	45	.....	.....	3,146,654	2,659,000	.....	58.18
201. Muskegon, Mich.	45,500	1,368,500	2,039,900	481,000	3,889,500	.....	.....	.....	.....	3,889,500	3,418,500	1,091,450	75.13
202. Jamestown, N. Y.	45,100	1,580,867	2,037,500	1,114,000	4,632,367	61,675	.....	.....	100	4,620,692	3,568,367	543,482	79.12



BONDED DEBT OF 213 CITIES AS AT JANUARY 1, 1928—Continued

City	Census July 1, 1927	General improvement bonds	Public school bonds	Public utility bonds	Total gross bonded debt	Sinking fund				Net general bonded debt		Total gross special as- essment debt	Per capita net general debt exclud- ing self-sup- porting and special as- essment	
						General improve- ment (per cent)	Public school (per cent)	Public utility (per cent)	Total	Excluding self-support- ing				
GROUP V.—Continued Population 30,000 to 60,000														
205. Fitchburg, Mass.	44,700	\$1,755,700	\$497,000	\$592,700	\$2,845,400	..	..	..	..	\$2,845,400	\$2,252,700	N.	\$ 50.40	
206. Lorain, Ohio	44,000	1,670,000	1,614,725	624,000	3,905,725	99	1	..	..	3,391,504	2,767,504	\$949,076	62.90	
207. Pueblo, Colo.	43,900	1,173,000	712,000	1,489,000	3,374,000	..	100	..	..	3,366,027	1,877,027	1,862,300	42.76	
208. Hamilton, Ohio <sup>a</sup>	43,700	1,596,283	..	1,544,300	3,140,583	96	..	4	..	3,076,360	1,524,600	745,107	34.89	
209. Everett, Mass.	42,900	1,546,300	806,000	110,000	2,238,300	100	..	..	..	2,238,704	1,727,704	N.	40.27	
210. Salem, Mass.	42,800	1,067,500	2,843,000	432,000	2,205,500	..	..	..	..	2,305,500	1,873,500	..	43.67	
211. Stamford, Conn.	42,800	2,736,000	2,843,000	3,139,000	5,579,000	80	20	..	..	4,871,168	4,108,177 <sup>a</sup>	N.	113.81	
212. Dubuque, Iowa	42,100	1,815,500	1,316,000	354,500	7,744,500	35	65	..	..	7,247,177	4,087,177 <sup>a</sup>	N.	97.58	
213. Joliet, Ill.	41,900	373,500	1,886,000	N.	2,265,500	..	22	78	..	3,211,471	2,896,971	602,900	69.14	
214. West New York, N. J.	40,900	1,423,494	2,738,833	N.	4,162,327	100	..	..	..	2,253,500	2,253,500	1,099,100	54.30	
215. New Brunswick, N. J.	39,900	1,549,000	1,673,000	917,000	4,139,000	100	..	..	..	3,317,341	3,317,341	94,000	81.11	
216. Superior, Wis.	39,600	\$843,000	1,305,000	N.	2,151,000	100	..	..	..	4,037,228	3,120,228	50,000	78.20	
217. East Cleveland, Ohio	39,400	2,121,000	2,519,000	61,500	4,701,500	50	48	2	..	1,982,217	1,982,217	11,675	50.05	
218. Kokomo, Ind. <sup>a</sup>	39,100	195,300	..	N.	195,300	..	..	..	..	3,803,938	3,803,938	1,574,058	96.55	
219. Austin, Texas	38,800	917,500	1,050,000	1,078,000	3,045,500	..	..	..	..	170,279	170,279	95,652	2.45	
220. Lynchburg, Va.	38,600	2,046,897	1,079,068	1,753,000	4,878,965	64	..	..	..	2,963,944	1,885,943	..	48.61	
221. Danville, Ill.	38,200	365,845	689,500	N.	1,055,345	..	..	36	..	3,763,175	2,410,175	N.	62.44	
222. Hazlet, Pa.	37,500	1,653,500	1,773,115	N.	3,426,615	..	100	..	..	1,055,345	1,055,345	1,151,869	27.63	
223. Petersburg, Va.	37,100	3,309,000	800,000	500,000	4,609,000	..	..	..	..	3,285,021	3,285,021	N.	87.60	
224. Cranston, R. I.	36,600	1,170,000	1,710,500	N.	2,880,500	..	..	..	..	3,352,940	2,852,940	..	76.90	
225. Clifton, N. J.	36,200	1,878,500	1,634,400	1,371,000	4,483,900	38	62	..	..	2,501,053	2,501,053	..	68.33	
226. Lewiston, Me.	36,100	803,000	1,100,000	435,000	1,348,000	100	..	..	..	4,361,281	3,982,281	823,500	110.01	
227. Colorado Springs, Colo.	35,900	906,000	1,180,000	3,058,000	5,144,000	..	..	..	..	1,123,000	688,000	..	19.06	
228. Amsterdam, N. Y.	35,900	368,000	1,435,100	295,000	2,098,100	..	..	..	..	5,144,000	2,086,000	348,500	57.94	
229. Norristown, Pa. <sup>a</sup>	35,800	233,000	..	N.	233,000	48	5	47	..	1,875,000	1,580,000	..	44.01	
230. Poughkeepsie, N. Y.	35,800	1,053,500	796,350	878,500	2,728,350	..	..	..	..	233,000	233,000	..	6.51	
231. Auburn, N. Y.	35,700	954,443	81,000	233,000	1,268,443	..	..	100	..	2,728,550	1,850,050	..	51.68	
232. Revere, Mass.	35,200	797,760	1,155,320	247,225	2,200,305	..	..	..	..	1,219,047	1,035,444	986,047	29.00	
233. Moline, Ill.	35,100	15,000	281,000	50,000	346,000	..	..	..	..	2,200,305	1,953,050	..	55.49	
234. Irvington, N. J.	34,600	1,624,840	2,370,150	2,663,896	3,994,990	72	28	..	..	337,600	287,630	1,134,200	8.19	
235. Montclair, N. J.	33,700 <sup>a</sup>	2,442,860	5,101,000	9,207,756	2,161,050	49	47	4	..	3,778,886	3,196,116	121,743	109.22	
236. Marion, Ohio	33,400	1,420,050	741,000	1,399,053	2,161,050	100	..	..	..	7,808,703	5,196,116	608,883	154.19	
237. Waukegan, N. Y.	33,400	1,382,935	700,500	1,974,000	3,220,435	53	46	1	..	2,158,486	2,158,486	608,883	61.62	
238. Muskogee, Okla.	32,900	1,614,154	1,255,000	1,374,000	3,843,154	..	..	..	..	3,093,261	1,956,872	270,558	58.59	
239. Steubenville, Ohio <sup>a</sup>	32,600	181,847	120,698	120,698	302,545	40	32	28	..	1,869,287	1,443,487	387,762	43.87	
240. Mansfield, Ohio	32,600	1,084,375	1,478,145	252,000	2,814,520	..	..	..	..	302,545	302,545	196,000	9.28	
241. Kearney, N. J.	32,400	239,389	593,445	159,466	992,300	100	..	..	..	2,731,111	2,499,111	280,950	76.90	
242. Alameda, Calif.	32,100	2,201,025	3,284,903	3,284,903	6,812,928	60	37	3	..	992,300	832,834	..	25.70	
243. Asheville, N. C.	32,000	3,566,316	3,047,000	5,532,000	12,144,316	..	..	..	..	5,984,428	2,748,405	477,000	85.62	
244. Middletown, Ohio	31,900	736,862	1,230,000	206,000	2,172,862	40	51	..	..	11,950,508	6,418,598	1,991,384	200.58	
245. Middletown, Ohio	31,900	736,862	1,230,000	206,000	2,172,862	..	..	..	..	2,033,593	1,827,593	..	57.29	

BONDED DEBT OF 213 CITIES AS AT JANUARY 1, 1928—*Concluded*

City	Census July 1, 1927	General improvement bonds	Public school bonds	Public utility bonds	Total gross bonded debt	Sinking fund				Net general bonded debt		Total gross special as- sessment debt	Per capita net general debt exclud- ing self-sup- porting and special as- sessment	
						Total	General im- provement (per cent)	Public school (per cent)	Public utility (per cent)	Total	Excluding self-support- ing			
GROUP V—Continued Population 50,000 to 60,000														
272. Sioux Falls, S. D.	31,200	\$1,140,000	\$1,382,000	N.	\$2,937,000	\$813,629	22	59	19	\$2,123,370	\$1,894,715	N.	\$59.77	
273. Richmond, Ind.	31,000	181,500	679,400	N.	860,900	8,207	100	..	..	852,693	852,693		27.51	
276. Clarksburg, W. Va.	30,900	422,100	138,000	382,900	940,000	70,222	50	..	50	872,778	524,800	\$345,521	16.98	
277. Great Falls, Mont.	30,900	639,000	..	484,000	1,073,000	349,480	24	..	76	723,520	555,344	250,000*	17.97	
278. Norwood, Ohio	30,800	2,431,041	1,162,000	301,137	3,894,178	1,028,035	100	..	..	2,866,143	2,565,006	124,096	83.28	
280. Bloomington, Ill.	30,700	305,000	100,000	49,000	454,000	76,000	50	..	50	378,000	367,000	..	11.95	
281. Newark, Ohio	30,450	907,930	338,000	491,000	1,736,930	162,100	90	1	..	1,574,830	1,324,830	325,339	43.51	
282. Zanesville, Ohio	30,450	808,551	960,120	609,500	2,378,171	147,461	8	92	..	2,231,010	1,621,510	246,279	53.25	
286. Nashua, N. H.	30,000	1,316,500	762,500	N.	2,079,000	251,456	..	..	..	1,827,544	1,827,544	..	60.92	
CANADIAN CITIES														
1. Montreal, Que. <sup>10</sup>	942,875	\$102,303,446	\$29,992,243	\$34,756,485	\$167,052,174	\$17,474,348	82	18	..	\$149,577,826	\$114,821,341	\$20,692,036	\$121.77	
2. Toronto, Ont. <sup>10</sup>	569,859	48,496,135	25,455,795	94,315,157	168,267,087	27,023,043	41	18	41	141,244,044	58,054,171	10,834,967	101.86	
3. Winnipeg, Man. <sup>10</sup>	202,377	9,957,552	9,225,000	27,924,539	47,107,091	13,355,925	32	19	49	33,751,166	13,021,115	13,853,654	64.34	
4. Vancouver, B. C. <sup>15</sup>	142,150	22,598,924	5,891,900	6,439,351	34,930,175	8,134,910	72	15	10	26,795,265	21,204,362	3,870,122	149.17	
5. Hamilton, Ont.	127,447	10,801,971	4,182,108	6,590,185	21,574,264	4,916,520	47	15	38	16,657,744	11,908,111	2,200,982	93.41	
6. Quebec, Que. <sup>10</sup>	126,000	13,625,246	4,804,000	5,069,750	23,498,996	1,711,824	55	35	10	21,787,172	21,787,172*	..	172.91	
7. Ottawa, Ont.	120,799	9,611,508	3,894,119	4,830,910	18,326,537	4,525,173	52	18	30	13,801,364	10,301,512	5,528,583	85.28	
8. Edmonton, Alb. <sup>10</sup>	67,083	19,168,603	3,923,393	11,960,336	35,052,332	9,599,500	38	4	58	25,452,832	19,043,736	4,414,729	283.88	
10. Windsor, Ont. <sup>10</sup>	66,893	5,038,781	3,411,476	3,487,261	11,937,518	138,396	39	61	..	11,799,122	8,311,860	..	124.25	
13. St. John's, N. B. <sup>10</sup>	52,000	1,858,584	1,655,500	4,258,816	7,772,900	3,502,340	92	8	..	4,270,560	2,807,612	..	53.99	
16. Regina, Sask. <sup>10</sup>	37,229	6,661,753	1,951,796	5,086,871	13,700,420	4,627,248	50	11	30	9,073,172	5,388,316	..	144.34	
17. Saskatoon, Sask. <sup>10</sup>	33,000	3,987,931	2,092,223	3,404,839	9,484,993	2,704,051	50	8	42	6,780,942	4,508,917	1,753,382	136.63	



NOTES.—The cities are arranged in order of population, according to the 1927 (July 1) estimates by the Bureau of the Census, with exceptions noted by that Bureau. Population of Canadian cities is as estimated for 1927 when available. Missing numbers are of cities not furnishing data.

\* Estimated. N. = none.

<sup>1</sup> *Chicago*. General bonds include \$76,480,850 sanitary district bonds, 92½ per cent of total debt of the district based upon proportion of taxable values within the city. Debt does not include county or forest preserve district (co-extensive with county) bonds, \$31,871,000. Ninety-one per cent of taxable values of the county are within the city. Utility bonds include water, \$560,500, and street lighting, \$7,110,000; do not include water certificates, \$10,300,000, with a sinking fund of \$2,100,000, payable from water works income. Special assessment debt not furnished.

<sup>2</sup> *Pittsburgh*. Includes city and county; general and utility debt not separated. Special assessment bonds are not issued.

<sup>3</sup> *Detroit*. Utility bonds include street railway, \$22,965,000, and lighting, \$15,787,000; in addition to the debt, there is a street railway purchase contract for \$11,580,000.

<sup>4</sup> *Los Angeles*. Census is local estimate; general bonds include flood control (county), \$12,524,250; utility bonds include light and power, \$39,405,000, and harbor, \$20,342,500; school bonds are issued by the county; school sinking fund includes flood control; special assessment debt is estimated, except municipal improvement district bonds, \$9,119,350, and 1915 district improvement bonds, \$961,850; these improvements are installed under state improvement acts and the liens are not obligations of the city.

<sup>5</sup> *Cleveland*. Utility bonds include light and power, \$1,388,000.

<sup>6</sup> *Baltimore*. General bonds include Western Maryland, \$1,875,000.

<sup>7</sup> *Boston*. Utility bonds include rapid transit, \$50,293,700; gross debt does not include county debt, which is paid by Boston; special assessment bonds are not kept separately.

<sup>8</sup> *San Francisco*. General bonds include 1915 Exposition, \$2,200,000; utility bonds include street railway, \$3,094,000.

<sup>9</sup> *Milwaukee*. Debt does not include metropolitan sewerage commission, \$18,445,000, 53 per cent of which is paid by the city. Special assessment bonds are not issued.

<sup>10</sup> *Minneapolis*. Utility bonds include light and power, \$30,000, river terminal, \$10,000, and market, \$25,000; sinking fund not separated by purposes.

<sup>11</sup> *Cincinnati*. Utility bonds include rapid transit, \$6,100,000, and Cincinnati Southern Railway, \$21,832,000; rental revenues of the latter yield \$1,100,000 to pay interest on general debt.

<sup>12</sup> *Kansas City*. Special assessments, in form of tax bills issued against the property assessed and improvement certificates which are not obligations of the city, are not reported because current control of amount is not kept by city.

<sup>13</sup> *Indianapolis*. General bonds include park district, \$3,130,000, and sanitary district, \$3,655,500.

<sup>14</sup> *Jersey City*. Utility bonds include dock, \$251,000.

<sup>15</sup> *Louisville*. The sinking fund owns also the entire capital stock of the Louisville Water Company, worth at least \$25,000,000 (par value, \$1,275,100).

<sup>16</sup> *Columbus*. Utility bonds include light and power, \$1,915,000.

<sup>17</sup> *Denver*. General bonds include city's portion of Moffat Tunnel, special assessment bonds include city's assessment for Moffat Tunnel, \$9,020,000.

<sup>18</sup> *Portland*. General bonds include docks, \$19,856,000, and city's portion (94.4 per cent) of port, \$4,374,496; school bonds are 97.68 per cent of total, based upon city's portion of assessed valuation utility bonds include gas, \$150,000; city's share (92.15 per cent) of county debt, \$7,816,250, is not included.

<sup>19</sup> *Oakland*. Utility bonds include city's portion (60 per cent) of water district, and harbor, \$2,751,000.

<sup>20</sup> *St. Paul*. Special assessment debt is a permanent improvement revolving fund.

<sup>21</sup> *Omaha*. Utility bonds include gas, \$1,500,000.

<sup>22</sup> *Richmond*. Utility bonds include light and power, \$300,000, and gas, \$3,607,550.

<sup>23</sup> *Worlth*. Utility bonds include port terminals, \$6,423,948; general sinking fund includes school.

<sup>24</sup> *Jacksonville*. Utility bonds include light and power, \$350,000.

<sup>25</sup> *Massachusetts*. Utility bonds include light and power, \$328,000.

<sup>26</sup> *Wrentham*. Utility bonds include dock, \$100,000.

<sup>27</sup> *Wilmington*. Utility bonds include harbor, \$2,300,000.

<sup>28</sup> *Kansas City, Kans.* Utility bonds include light and power, \$2,991,000.

<sup>29</sup> *Waltham*. Utility bonds include gas, \$1,110,500.

<sup>30</sup> *Spokane*. Utility bonds include gas, \$1,110,500.

<sup>31</sup> *Long Beach*. Utility bonds include light and power, \$3,696,000, and street railway, \$348,000.

<sup>32</sup> *Long Beach*. Utility bonds include light and power, \$3,696,000, and street railway, \$348,000.

<sup>33</sup> *Long Beach*. Utility bonds include light and power, \$3,696,000, and street railway, \$348,000.

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<sup>56</sup> *Long Beach*. Utility bonds include light and power, \$3,696,000, and street railway, \$348,000.

<sup>57</sup> *Long Beach*. Utility bonds include light and power, \$3,696,000, and street railway, \$348,000.

## RECENT BOOKS REVIEWED

GOVERNMENT AND BUSINESS—a study in the economic aspects of government and the public aspects of business. By Earl Willis Crecraft, Ph.D. New York: World Book Company. 1928. Pp. 508.

The publisher's announcement of this book contains the following statement by Dr. Charles A. Beard:

This book is a path-breaking work—the first attempt, as far as I know, to link up political science and business, to show how business affects government, to outline the business functions of government, and to indicate the points of political control over economic operations—all within the compass of a single volume. It will stir up discussion and make students of political science take a broader view of their field.

Dr. Beard is altogether too modest; for those who are familiar with his writings will recall that he has been a trail-maker himself in emphasizing the economic aspects of government, and no doubt the author found some of his inspiration in the writings of Dr. Beard.

Dr. Crecraft has, however, shown with remarkable clearness, and in a very comprehensive way, the numerous contacts and relationships of government and business.

The book consists of thirty-six chapters, an excellent bibliography and an index.

The author holds that it is entirely normal for business to engage in political activity; and for government to be responsive to the influences brought to bear on it by business forces.

In all of the departments of government, great industries are likely to be active. They keep in close touch with lawmaking, whether it be in congress, the state legislature or the city council; they establish contacts with executive and administrative departments in local, state and national governments; they take part openly or *sub rosa* in election campaigns to promote their interests. As a matter of fact, business pays a large part of the campaign expenses of political parties, and political history gives ample evidence that some of the contributions do not represent the individual's patriotic interest in his party.

The author shows the many ways in which government promotes the production, distribution and exchange of goods, and how it protects consumers as well.

The advocates of the doctrine of *laissez faire*, if there really are any, will probably be surprised at the array of facts which the author has marshalled to show that after all one of the chief objects or purposes of government has been the promotion of the economic (business) welfare of the citizens of the state, both at home and abroad.

The publishers recommend the book as a textbook, but for what courses is not stated. To the reviewer it does not appear to be suited for a textbook, but it should be stimulating to those who have covered the fields of economics and political science.

FRANK E. HORACK.

State University of Iowa.



THE INCOME AND STANDARD OF LIVING OF UNSKILLED LABORERS IN CHICAGO. By Leila Houghteling. Chicago: University of Chicago Press. 1927. Pp. xvii, 224.

"The Income and Standard of Living of Unskilled Laborers in Chicago" is number eight of a series of social science studies directed by the local community research committee of the University of Chicago, and is aimed at the question of whether the Chicago Standard Budget used by certain relief agencies sets too high a standard for dependent families supported by such agencies. In pursuit of this objective the income and expenditures of 437 families are recorded and analyzed. The result is a faithful, detailed piece of research in which the methods employed are explained in detail and from which much can be gleaned regarding methodology.

The difficulties with a study of this kind, however, are many. First, any statement of what constitutes a minimum standard, whether it be the Chicago standard budget or any other, is subject to the limitations implied in its assumptions relative to the amounts of food and clothing materials, and the minimums in housing such as space, windows, running water, lights, bathrooms, and fixtures. And a statistical study, in the nature of things, cannot verify the standard set. Therefore, the study does not answer the problem it proposes as to whether or not "the Chicago Standard Budget sets too high a standard for



-dependent families who are being supported by relief agencies." Furthermore, it is but a commonplace to affirm that one cannot lay down a commodity standard and then pretend that a single translation in money terms is good either for a period of time or at the same time in different places.

If the purpose of the study were to find out whether or not the standard set translated into money terms could be met by unskilled workers in Chicago, the survey affords only a partial answer, the chief limitations being (1) the survey includes but 437 cases of workers employed steadily for a year and, therefore, is not representative of the unskilled in Chicago; and (2) it was found impossible to secure a clear understanding of what constituted the difference between a skilled and an unskilled worker. In light of these facts, one is forced to conclude that what we have is a picture of these 437 workers. Further generalization is not justified.

At times it is a question whether or not social workers in setting standards and in testing their shortcomings do not forget the very thing that they so often charge other people with forgetting, namely: the worker is a human being.

The reviewer believes that the process of checking and rechecking formulated standards is worth while for, in the long run, general concepts may be evolved upon which more common agreement can be secured. But for the present any budget standard should be used only for the most general sort of guidance. The income of the particular family and the direction of expenditure should be treated as a case.

WILLARD E. ATKINS.

New York University.



COUNTY GOVERNMENT IN VIRGINIA, Report prepared by New York Bureau of Municipal Research, January, 1927. Published at Richmond, 1928.

This is a "Report on a Survey Made to the Governor and His Committee on Consolidation and Simplification." It is a paper-covered pamphlet of one hundred closely printed pages.

There are one hundred counties in Virginia, and the investigators selected twelve of them for purposes of intensive study, intending to select twelve that would be representative of the varying conditions to be found in the state. However, they have not presented a study of each of the twelve counties separately, but have divided

their report into thirteen chapters, each dealing with a particular problem of county government, *i.e.*, The Fee System, County Indebtedness, Public Welfare, County Highway Administration, etc.

The work apparently has been very well done. The investigators went to the bottom of their problems and have dealt with them most thoroughly. The treatment is clear and concise. If one masters the contents of this pamphlet, he might feel that he had a pretty complete knowledge of county government in Virginia. The investigators were not content merely to describe local government, but sought to discover by means of intimate contact just how the various functions are actually administered in practice. The report is based on a very intelligent first-hand study, and is most illuminating.

It is obvious, however, that the investigators went forth in the spirit of the crusaders. There is no doubt that they were convinced before they ever started that county government in Virginia was exceedingly bad, and was much in need of radical reform. Every page of the report breathes dismay at the alleged shocking conditions. There is no denying that undesirable conditions are convincingly disclosed. But it is rare that careful students exhibit such unbounded confidence in their own criticisms and their own recommendations concerning reform. This report fairly bristles with unqualified assertions that this or that ought to be done, and that certain reforms will bring immediate relief. Indeed the report turns out to be a vigorous plea for the abolition of existing forms of county government in Virginia and the establishment of the county manager scheme. Supervisors, sheriff and prosecutor, to say nothing of others, are brusquely swept into the discard as elective officers, and the new and virtually untried county manager is boldly set up to drag the Virginia counties out of a morass of bad government. Elaborate charts are utilized to show conditions "before, and after."

The county is treated throughout as an area of state administration, rather than as an area for local self-government. No doubt this treatment is in keeping with the tendency of the times. Institutions of local self-government have been decaying rapidly in the past few decades.

On the whole the report is a valuable contribution to our knowledge of the actual workings of county government. One does not need to

acquiesce in the proposals for sweeping reform, when expressing admiration for the work that has been done. County government in Virginia has been opened up to public inspection by skillful hands; and public authorities in Virginia, and elsewhere, can profit much by a careful study of this excellent report.

KIRK H. PORTER.

State University of Iowa.



**TAXATION: An Introductory Study.** By Helen M. Rocca. Department of Efficiency in Government, National League of Women Voters, Washington, D. C. 1927. Pp. 43.

The aim of this study is to present an introduction to the subject of taxation. The writer in plain and simple language emphasizes the importance of a knowledge of the fundamental facts about taxation, defines the technical terms used in discussing the more elementary problems of taxation, and describes the kinds of taxes in use by the local, state, and federal governments. For a brief summary of our exceedingly complex tax situation, this study is admirably executed. It is obvious, however, that within the brief compass of forty-three pages, one cannot penetrate into the subject very deeply. In addition to defining terms, the pamphlet discusses very briefly the causes of increase in public expenditures, the relation of governmental costs to national income and wealth and per capita incomes, the salient features of the state and federal revenue systems. A concluding section considers proposals for new kinds of taxes. The writer does not discuss the equity or justice of the taxation system, expressing no opinions on the relative merits of the different taxes. The subject of tax administration receives mention only in an incidental way. Both students and laymen who desire an easy approach to the intricacies and complexities of our taxation problem will find Miss Rocca's brochure of great assistance.

M. L. FAUST.



**Three City Reports.**—*Two Rivers, Wisconsin. Second Annual Report for the Year 1927.* By Richard Biehl, City Manager. Pp. 45.—This attractive little report is characterized by its clear charts and well-selected pictures. Their distribution throughout the report, however, could have been improved upon. The letter of trans-

mittal gives a brief résumé of work done, but places too much emphasis upon physical improvements with no mention of the social phases of government. No mention is made of the work contemplated for the future. Taxpayers are likely to be more interested in what they can look forward to than an account of accomplishments, many of which they have already observed. Furthermore, a proper distribution of space between the different activities is wanting. For example, three pages are devoted to a new bridge, while the health department is disposed of in two-thirds of one page. Too little care was used in the arrangement. The letter of transmittal is on page 9 and the organization chart on page 40. Both should be in the front of the report. This carelessness in arranging such good material is all that prevents this report from being among the very best of the year.

*Ironwood, Michigan. Annual Report for the Fiscal Year Ending February 28, 1927.* By W. M. Rich, City Manager, Pp. 80.—The favorable features of this report are its size, attractive cover, the clear organization chart, and a proper balance of space between the various activities. It lacks impressiveness mainly because it contains long paragraphs of fine print and several consecutive pages of reading material unbroken by picture, chart, or table. On the other hand, there are several well-chosen pictures and a few charts which are none too clear, because they attempt to portray too much. A chart must be simple to attract the interest of the casual reader. The last 21 pages are taken up with a detailed audit of the year's financial transactions. Other more interesting financial statistics are graphically presented in the report proper. The reviewer can see no good reason for including a detailed audit of a city's accounts in a public report intended for general reading.

*Dayton, Ohio. Annual Report for the Year 1926.* Pp. 48.—This is the second municipal report reviewed in these columns the past year that has been under 50 pages in length, and this one feature alone deserves special commendation. Other good features include a brief summary of the year's work at the beginning of the report, and the use of a good grade of paper and a type easily read. Its appearance is made attractive by a few pictures which, by the way, are poorly distributed among irrelevant reading material. The letter of transmittal deals at length with physical im-



provements contemplated for the future, but not a word for other activities quite as important but perhaps less obvious. The complete lack of charts and comparative data is disappointing, and the brevity with which the city's finances are treated is unsatisfactory. Except as to the distribution of pictures, the general arrangement of the material is satisfactory. With a little more care, this already good report could have been greatly improved.

C. E. RIDLEY.



"Untersuchung von Wohnungs-grundrissen."  
—With characteristic German thoroughness, Alexander Klein, of Berlin, demonstrates new methods of measuring the worth of small house plans in the January, 1928, issue of *Staedtebau*, the monthly edited by Dr. Werner Hegemann.

1. An orderly scheme for shortening the lines of habitual movement between rooms and avoiding their crossing one another.

2. Concentration of the floor-areas required for such movements, leaving the maximum proportion of total area for use.

3. Direct access with the minimum of turns between the usable portions of rooms most intimately related in customary use.

4. Preservation of wall-surfaces from being haphazardly broken up by doors, windows and

large furniture, or by spotty shading from unequal natural lighting.

All of these and numerous other minor considerations result in psychologically important benefits to the members of the household through the restful sense of order, simplicity, lack of confusion in carrying on the principal activities of the house, cooking and eating, sleeping and washing, work and recreation.

ARTHUR C. COMEY.

**Two Important Yearbooks.**—The fifth annual edition of the *Municipal Index* published by the *American City Magazine*, came off the press in March. It reports the progress in the various lines of municipal government during the year 1927. Many valuable bibliographies and lists of municipal and state officials are also included.

The March issue of *Public Management* (pp. 207) comprises the Fourteenth Yearbook of the City Managers' Association. One hundred and twenty pages are devoted to the Proceedings of the Dubuque convention held in September, 1927. Persons studying the practical operation of manager government should not fail to examine these proceedings in which the various branches of municipal administration are discussed in a practical manner by the managers themselves. The cost of the fourteenth yearbook is \$1.00, and it may be secured from the National Municipal League or from the City Managers' Association.

# JUDICIAL DECISIONS

EDITED BY C. W. TOOKE

*Professor of Law, Georgetown University*

**City Plan—Control of Regulation of Plats in Outlying Districts.**—The Supreme Court of Ohio in *Prudential Co-op Realty Co. v. Youngstown*, 160 N. E. 695, decided March 7, 1928, upholds the constitutionality of the provision of the general code requiring plats of land within three miles of the city limits to have the written approval of the city planning commission as a condition precedent to the right of the owner of the land to record his plat in the recorder's office of the county where such municipality is located. The opinion of the court reviews at length the delegation of extra-mural powers to cities by the state legislature and sustains its exercise in the instant case. Ohio thus follows the District of Columbia and Michigan in giving its judicial approval to the method of protecting the city plan in outlying districts by the simple means of control over the privilege of dedication of lands for streets and highways. An extended note on the recent decision of the Supreme Court of Michigan on this point was published in the March issue of the REVIEW.



**Zoning—Location of Auxiliary Buildings.**—In *Sundeen v. Rodgers*, 141 Atl. 142, decided by the Supreme Court of New Hampshire, March 6, the question was raised as to the validity of the provision of the zoning ordinance of the city of Manchester requiring that in residential districts auxiliary buildings may be erected only on the rear half of the lot. The court in affirming the dismissal of the bill and approving of the order of the board of adjustment in denying the petitioner a permit to erect such a building elsewhere on his lot, upholds the regulation as distinctly within the zoning powers of the city. It is noteworthy that in this case, as in several others arising in other states since the decision of the Supreme Court in *Village of Euclid v. Ambler Realty Company* (272 U. S. 365), the court decides the question upon the general principles of zoning, rather than upon the authority of the many cases upholding a similar exercise of the police power which were decided long before any zoning laws were enacted.

**Police Power—Exercise Subject to Admiralty Law.**—The paramount force of admiralty jurisdiction over the municipal law of any state is illustrated in the case of *In re Highland Navigation Corporation*, 24 Fed. (2d) 582, recently decided by the District Court of the Southern District of New York. This was a proceeding for the limitation of the liability of the owners of two ships which were destroyed by fire while moored at their piers in the harbor of New York. An ordinance of the city provides that in case any wrecked vessel is abandoned for ten days, and upon notice the owner fails to move it, the commissioner shall cause the vessel to be removed and may recover the expense thereof from the owner. The court held that under the admiralty law the owner had a right to limit its liability to the extent of the provisions of the federal statute under which the proceeding was brought. It was also strongly intimated by the court that the right of the owner of a wrecked vessel to abandon it without any personal liability whatsoever was absolute under the maritime law and also under the federal statutes. State and municipal regulations must necessarily be subject to the rules of admiralty. A common application of this principle is the imposition of liability upon a city to respond in damages for negligence in operation of a fire patrol boat when the action is brought in admiralty. (*Workman v. New York*, 179 U. S. 552.)



**Public Purposes—Power to Expend Money for Patriotic Celebrations.**—The Supreme Court of Pennsylvania in *Sambor v. Hadley, City Controller* (140 Atl. 347), passed upon the validity of the Statute of April 6, 1927, empowering the city of Philadelphia to appropriate money to pay for services previously rendered and materials previously furnished for the public exhibition celebrating the sesqui-centennial anniversary of the signing of the Declaration of Independence. The question was raised by a taxpayer's action to restrain the city officers from expending additional funds of the \$5,000,000 appropriation voted in 1928 under authorization of the statute,



some four-fifths of which had already been paid out of the city treasury. The court upheld the constitutionality of the act upon numerous precedents, and further ruled that the petitioner in any event was barred by his laches in raising the question at this late date. The decision of the court in holding that irregularities in complying with the strict limitations placed upon the exercise of the delegated power is quite at variance with the ruling of the New York Court of Appeals in *Schiefflin v. Hylan* (226 N. Y. 254, 1923), in which case, however, the action was brought before the expenditures had been incurred by the city authorities.

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**Legislative Control over Wages on Municipal Works.**—By dismissing a writ of certiorari in the case of *Campbell v. City of New York* (155 N. E. 668, reported in the June, 1927, number of the REVIEW), the Supreme Court of the United States has in effect affirmed the decision of the New York Court of Appeals, thus limiting the application of *Connolly v. General Construction Company* (269 U. S. 148) to actions to enforce a criminal penalty. In the latter case the Court held that the standard "the prevailing rate of wages in the locality where the work is performed" was too indefinite to define responsibility for criminal action. In *Campbell v. New York*, the Court of Appeals held that, notwithstanding the decision in the *Connolly v. General Construction Company* case, the statutory provision prohibiting the state or any city from entering into a contract for public work unless such a clause was incorporated in the contract was valid, and that Campbell, as a taxpayer, might maintain his action to enjoin the letting of a public contract without such a provision. The action of the Court, therefore, leaves the decision in *Atkin v. Kansas* (191 U. S. 207) in full force, except that the standard prescribed may not be made the basis of criminal liability.

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**Special Assessments—Direct Liability of City on Bonds Issued.**—The Supreme Court of the United States on April 9 affirmed the decision of the Circuit Court of Appeals, ninth circuit, in the case of *Moore v. City of Nampa* (18 Fed. (2d) 860) reported in the April issue of the REVIEW. In the unanimous opinion of the Court, Mr. Justice Butler points out that the bonds in question under the statutes of Idaho were made solely a claim against the special assessments to be collected and declared that no holder should have

any claim against the city. They were not negotiable (*U. S. Mortgage Co. v. Sperry*, 138 U. S. 313) and the holder, therefore, took them subject to all legal and equitable defenses available against the original purchaser. The false certificate by the mayor and treasurer, stating that at the time of the original sale of the bonds no suit was threatened or pending in respect to the validity of the bonds, was issued without authority and could not be binding on the city. The city council was the governing body of the city and the statement was not made or authorized by it. As the action was in tort based upon negligence or misrepresentation, no cause of action was made out in the complaint. The opinion of the Supreme Court is reported in 48 Court Reporter at page 340.

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**Police Power—Regulation of Oil Wells within City Limits**—The courts of Kansas for many years have taken the leadership in recognizing the factual changes in municipal life and in readily adapting the common law principles to the new conditions. They have taken advanced ground in extending the doctrine of implied powers of municipalities to cover with legal sanction the efforts of the local governing bodies to extend their functions to meet the rapidly developing social needs, without waiting for the express authorization by legislative power of the state.<sup>1</sup>

It is not surprising, therefore, to find the legislature of Kansas delegating to municipalities the most extensive of its police powers. In *Marrs v. City of Oxford*, 24 Fed. (2d) 541, the validity of an ordinance regulating the operation of oil and gas wells within the city limits was before the federal district court. The action was in equity to enjoin the enforcement of the ordinance which required that a permit must be secured to drill for oil and gas, that only one permit should be granted in a given block and that the person securing such permit should allocate to the other land owners in the block a proportion of the oil and gas thus produced, based upon their proportionate holdings. The first question necessarily involved was the power of the state so to regulate the industry, which was sustained upon authority of the numerous decisions of the Supreme Court on the extent of the police power. The second question of the delegation of this power to the municipality was upheld under the express provisions of section 12-106, R. S. Kan-

<sup>1</sup> *Wichita v. Clapp*, 263 Pac. 12, reported in the April issue of this REVIEW, Vol. XVII, p. 238.

sas, 1923, which confer upon cities of the third class the power to "grant permits or make contracts with persons or corporations to mine coal, oil or gas within the limits of said city, under such restrictions as shall protect public and private property and insure proper remuneration for such grants." The third question whether the ordinance offended in the method of its exercise was resolved in its favor upon the ground that the classification was upon a reasonable basis. (*Lindsay v. Carbonic Gas Co.*, 220 U. S. 61.)

It may be noted that the refusal to grant an injunction against criminal prosecution under this ordinance was affirmed by the Supreme Court of Kansas last December in *Ramsey v. Oxford*, 261 Pac. 572. It may also be of interest to compare the decision with that of the Supreme Court of California in *Pacific Palisades Ass'n v. Huntington Beach* (1925), 196 Cal. 211, 213 Pac. 538, in which it was held that a zoning ordinance which forbade the erection or operation of any oil or gas wells in certain restricted districts was unconstitutional and void.



**Civil Service—Construction of the Constitution of Ohio.**—By a decision handed down by the Supreme Court of Ohio, in *Hile v. City of Cleveland*, 160 N. E. 621, the cause of civil service has been dealt a severe blow. The state constitution provides that:

Appointments and promotions in the civil service of the state, the several counties, and cities, shall be made according to merit and fitness, to be ascertained, as far as practicable, by competitive examinations. Laws shall be passed providing for the enforcement of this provision.

Section 96 of the Cleveland city charter reads:

No person shall be appointed or employed in the classified service of the city under any title, not appropriate to the duties to be performed and no person shall be transferred to, or be assigned to perform any duties of, a position subject to competitive tests unless he shall have been appointed to the position from which the transfer is made as a result of open competitive test equivalent to that required for the position to be filled, or unless he shall have served with fidelity for at least two years immediately preceding in a similar position under the city.

The court in holding that it is not practical to subject employees of the city who have held their positions for two years to a civil service examination as prerequisite to appointment to the classified service, says that this rule is in accord with the letter and spirit of the constitutional provision, but fails to explain in what way it is not practical for men whose qualifications are supe-

rior because of previous service to submit themselves to such examinations. The constitutional exception evidently was inserted to apply only to instances in which an examination would not be feasible to determine the ability of candidates or those in which an emergency would require summary action. The decision is a remarkable example of constitutional construction, comparable with the decision of the same court last year in *State v. City of Fremont* (157 N. E. 318), which practically nullified the initiative and referendum clause of the Ohio constitution.



**Special Assessment Liens—Effect of Sale of Lands for State and County Taxes.**—In *City of Tacoma v. Fletcher Realty Co.*, decided by the Supreme Court of Washington, March 5 (264 Pac. 997), the question involved was whether the purchaser at a county tax foreclosure sale, where the city has been regularly served, takes title subject to local special assessments. The court by a vote of three to two held that, under the statutes of the state, the lien given for special assessments is subject to that for general taxes and that the purchaser at a foreclosure sale for general taxes takes the property free from the lien for special assessments.

The law of special assessment liens is in great confusion, being often subject to vague statutes which have not yet received final interpretation by the courts. General tax liens are paramount to all other liens, judgments and claims, a principle that is laid down by statute in many states,<sup>1</sup> and therefore in some jurisdictions are held superior to those imposed by special assessment laws, unless the statute expressly provides otherwise.<sup>2</sup>

The question whether the purchaser at a general tax sale takes title free from all liens, subject only to the right of redemption, depends upon the existing statutes. In some states the statutes are so construed that the title of a purchaser at a tax sale is not only superior to other earlier tax liens, but free and clear of all prior public liens.<sup>3</sup>

<sup>1</sup> In re Salzberg, 206 N. Y. S. 837, 240 N. Y. 651.  
<sup>1</sup> Fleckenstein v. Baxter, 114 Mo. 493, 21 S. W. 852.  
 Stevenson v. Henkle, 100 Va. 501, 42 S. E. 692.

Bennett v. Denver, 197 Pac. 768 (Colo. 1921).  
 White v. Thomas, 91 Minn. 395, 98 N. W. 101.  
<sup>2</sup> Hollenbeck v. Seattle, 136 Wash. 508, 240 Pac. 916.  
 Turley v. St. Francis Road Dist., 287 S. W. 196 (Ark. 1926).

Abbot v. Frost, 185 Mass. 398, 70 N. E. 478.  
 First Nat. Bank v. Hendricks, 134 Ind. 361, 33 N. E. 110.

<sup>3</sup> Verdery v. Dotterey, 69 Ga. 194.  
 Robbins v. Barron, 32 Mich. 36.  
 State v. Camp, 79 Minn. 343, 82 N. W. 645.



Other cases hold that the tax sale does not cut off existing liens for other taxes nor prior vested rights, whether acquired by mortgage, dower, homestead or contract.<sup>1</sup> It is, therefore, necessary in any given case to examine the existing statutes and all the decisions construing them to determine the value of any special assessment lien regularly adopted under statutory authority.

In *Maryland Realty Company v. Tacoma* (121 Wash. 230, 209 Pac. 1), decided in 1922, the Supreme Court of Washington had held that when the county sold land which it had bid in at a tax sale, it sold it free from the lien of special assessments. The instant case holds that when a private individual buys land at a county tax sale, all proceedings being regular and the municipality having been made a party, the land is purchased free from the lien of special assessments. It can readily be seen that special assessment bonds, if made subject to the limitations imposed in the case of *Moore v. Nampa* (48 S. Ct. R. 340) and under statutes similar to those in the

state of Washington, are without any adequate security; the purchaser in fact is not making an investment but a speculation. The effect must inevitably be to make special assessment too costly to be a practical method of financing public improvement.

The instant case was in tort and no question of the impairment of the contractual obligation was involved. The laws existing at the time municipal bonds are issued enter into and become a part of the contract protected under the federal constitution. The power of the state to take away remedies of the bondholder by the exercise of the paramount power of taxation raises the question of the adjustment of a conflict between two primary governmental principles. In the only cases where this question has been directly raised, the courts have held that the subsequent statute providing for the cutting off of the special assessment lien by foreclosure of a general tax lien was void as violating the contract clause of the federal constitution.<sup>2</sup>

<sup>1</sup> { Becham v. Gurney, 91 Iowa 621, 60 N. W. 187.  
 { Gulf States v. Parker, 60 Fed. 974.  
 { Bouton v. Lord, 10 Ohio St. 453.

<sup>2</sup> { Moore v. Otis, 275 Fed. 747 (C. C. A., Okla., 1921).  
 { Nelson v. Pitts, 126 Okla. 191, 259 Pac. 533.  
 { Turley v. St. Francis Road District, 287 S. W. 196  
 { (Ark. 1926).

# PUBLIC UTILITIES

EDITED BY JOHN BAUER

*Director, American Public Utilities Bureau*

**New York City Loses First Court Decision on Subway Fares.**—The subway fare controversy between the City of New York and the Interborough Rapid Transit Company reached the first definitive point on May 2, when the federal statutory court handed down its decision on the fundamental legal aspects of the case.

It will be recalled that the chief issue is the 5-cent fare fixed by "Contract No. 3" between the city and the Interborough Company. This contract was entered into in 1913, and provided not only for the construction of a number of new subway lines, but also for the operation of all the subway lines, including those that had been constructed under two earlier contracts. It fixed the terms at which the properties were constructed and operated; the relative capital contribution by the city and the company; the pooling of the revenues from all of the properties; the order of priority for the various purposes for which the revenues might be used; and the rate of fare at five cents, and no more.

The company has been operating New York City subways since October 1904, at a fixed five-cent fare. In 1907 more properties were added, and then followed the new subways constructed under the 1913 contract. Up to 1917, when the great increase in operating costs took place, the subway profits to the company were large, and had enabled it to pay dividends up to 20 per cent per annum. Following the great increase in operating costs and the opening up of new subways, the earnings dropped; but the company has realized substantial surpluses every year, with the exception of 1920. During the past fiscal year the surplus as reported from subway operation, above all fixed charges, amounted to over \$6,000,000.

The financial returns from subway operation had been steadily improving, and the company would have been in a first-class financial condition, except for losses under its lease of the elevated properties from the Manhattan Railway Company. The city was not a party to this lease, and the operation is in every respect dis-

tinct from the subways. Early in February of this year, to the surprise of everyone, the company filed a new rate schedule, under which seven cents would be charged on all its lines. A petition was simultaneously filed with the Transit Commission seeking authorization to put the new schedule into effect at five days' notice. Later, the commission issued an order declaring the new schedule illegal. The company, even prior to the decision by the commission, had applied to the federal court to enjoin the commission from interfering with the charging of the 7-cent fare. Practically at the same time—a very few hours later—the city and the commission applied to a state court for an injunction to restrain the company from charging more than the rate fixed by the contract.

The first issue, therefore, was the conflict of jurisdiction between state and federal courts. This was argued before the federal court, which took and retained jurisdiction over the matter. Then followed the arguments before the federal court as to whether or not it was a matter in which equitable relief could be granted to the company. The city and the commission argued that the company was bound by the 5-cent fare under its contract, and that, therefore, the court was without power to grant relief to the company, even if such relief were needed. Facts, however, were also presented by the city to show that no relief was justified, even if there were no contract. The company, on the other hand, contended that the rate of five cents was not irrevocably fixed by contract; that the commission had denied the company its day in court; and that therefore it was a proper matter for the court to decide.

The court agreed practically throughout with the company's contentions. The substance of the decision is that the 5-cent fare fixed by Contract No. 3 came within the reserved power of the state and was subject to the state's policy of rate regulation. Since the contract was signed in 1913, it was held that the enactment of the Public Service Commission Law in 1907, providing for a comprehensive system of rate-mak-



ing, had the effect of limiting the city's contractual rights in fixing fares. The chief issue was whether the city had authority granted by the legislature to fix a 5-cent fare by contract. The court did not deny that the legislature might explicitly grant the city the right to enter into such an agreement; and if such express provisions were made, the rate of fare would be binding, notwithstanding the financial results of operation. Such a grant, however, would have to be explicit, and not merely to be inferred. Since the state in 1907 did institute a general system of rate-making and vested such power in a commission, it must be assumed that the city did not have the right to fix a fare by contract unless there were express and direct legislative authorization for the purpose. The court could see no such authorization, either in the Rapid Transit Act or other statutory provisions.

Here we have the heart of the entire problem. There can be no doubt, we believe, that when Contract No. 3 was entered into in 1913, both parties unquestionably assumed that the 5-cent fare was as much a part of the agreement as were any of the other reciprocal rights and obligations. The city was obligated to finance the construction program, and it has a total of nearly \$175,000,000 invested in the properties. Under the contract, it took a deferred position on the greater part of this investment, in order that the company might equip the subways and furnish certain contributions to construction. There were many complicated financial provisions, and the company received substantial compensation or advantages for the obligations that it assumed. Among these obligations was the operation of the property at a 5-cent fare for the duration of the contract, which expires in 1967.

The contract had been thoroughly studied by many lawyers, both on the public and company side, and there was never a hint that the 5-cent fare might be legally defective. The Court of Appeals—the highest tribunal in the state—had passed upon the contract, and decided that it represented a valid city purpose. There can be no doubt that the city did invest its millions of dollars expecting that the company would furnish the service provided for, and that the fare would be five cents.

The statutory court—a federal body—has thus reached a decision which was certainly contrary to the generally assumed state of the law, either when the contract was entered into or up to the present time. It has, therefore, in reality un-

dertaken to construe the statutes and the law of the state of New York. From a broad, public standpoint, the question might be asked, why should the federal court set aside the terms of a contract, when to accomplish that result certain statutes of a state required special construction in the light of other laws of that state? Why not let the state courts construe the state laws relating to special and technical state policies?

This case stands unique among the various cases that have come either before state or federal courts involving rights fixed by franchise or contract. It is true that the Court of Appeals of the state of New York had declared that rates fixed by franchise subsequently to 1907 would be ineffective because of the Public Service Commission law enacted during that year. But that related only to an ordinary franchise grant, in which a fare condition was placed. It did not apply to an extended and financially complicated contract, in which the city and the company were financial partners, and wherein the rights and duties of each were specifically stated. Nor did it apply to a case where a comprehensive statutory authority was granted, as was the case with the Rapid Transit Act applying to subway construction and operation.

If such an important provision in Contract No. 3 can be nullified, it is hard to conceive how any municipality could today enter into any kind of agreement with a utility company with assurance that the clear and explicit terms would not be set aside by the federal courts. The issue, therefore, affects not only the city of New York, but municipalities and public bodies everywhere. What rights of contract do they have? Can they do anything on their own responsibility without the overshadowing power of the federal courts to set aside terms designed for the protection of the public and along lines of policy determined by local authority?

There may be a question of policy whether or not the 5-cent fare in New York is a wise arrangement. There certainly is always a question of expediency in fixing a rigid fare for an extensive period. But this was settled by the 1913 contract, whether wise or otherwise. The company assumed definite responsibilities, and certainly derived proportional advantages. There was a contract which everybody thought was a contract. To a lay mind, it would seem that the legal grounds for setting aside the 5-cent fare should have been explicit; not the other way, as found by the court in this case.

There is a second angle: the court approved the 7-cent fare pending the investigation by the master and the final determination of the adequacy of the 5-cent fare. In discussing the financial set-up as to valuation and return, the court uncritically accepted the company's figures; and thus authorized an increase in fare under circumstances extremely difficult to justify from a responsible public standpoint. There is no clear reason why, in any case, the increase should not be kept in abeyance until the many questions of fact are thoroughly determined through regular judicial procedure.

The legal question as to the contractual basis of the 5-cent fare will go promptly to the Supreme Court of the United States. A reversal is, of course, not impossible. The Supreme Court is much more impressed by public rights and public aspects of utilities than many of the lower federal courts. Unfortunately, we have here a matter that does not depend directly and expressly upon the law, which is plain to all. The decision rests upon fundamental and personal points of view, which involve individual slants of policy, and not the pure substance of legal and constitutional determination.

If the company is sustained by the Supreme Court, then the final matter will be to determine whether in fact the 5-cent fare, under the particular conditions in New York, is unreasonable and confiscatory. If this becomes a question of real inquiry, there are substantial grounds for believing that the city will be finally sustained. But this involves complicated questions of fact, which will be presented in this department as they arise.



#### Public Utility Propaganda on Grand Scale.—

The federal trade commission has made a thorough job investigating the propaganda conducted by the National Electric Light Association through its own organization directly and through various subsidiary and affiliated groups ramifying throughout the country, including practically the entire electric industry as well as other utilities.

The disclosures that have been made cannot be said to be altogether startling to the comparatively few people who have been following intelligently developments during the past five or ten years. The fact, of course, has been plain that the chief function of the National Electric Light Association has been to mould public opinion; to form favorable impressions among people of in-

fluence, to guide chambers of commerce, public organizations, women's clubs, colleges and universities, editors of newspapers, and the public schools,—also to sway public officials and legislative bodies.

A summary of the results to date were presented for the press by Basil Manley, under date of May 10. Mr. Manley states that the evidence thus far developed by the attorneys for the federal trade commission shows: (1) Payment of subsidies by the National Electric Light Association to leading colleges and universities; (2) censorship of textbooks used in schools and colleges for the purpose of eliminating material which is considered even remotely injurious to public utility corporations; (3) subsidizing and otherwise cultivating underpaid professors of economics in high schools and colleges so as to promote a friendly and uncritical attitude on their part toward the industry; (4) preparation and distribution in public schools of textbooks and pamphlets prepared at the expense of the utility associations to present public service corporations in the most favorable light and prevent more drastic regulation or public ownership.

The concrete details are a bit raw, but they have been amusing because of the naïveté of the propagandists and their inevitable futility. The work has been clever, far too clever, for its own ultimate success. It was clever to prepare "primers" for the public schools, to distribute "Aladdin Lamps" among school children, and to let Harvard prepare a textbook. But the very light of the "lamps" has flashed back and revealed the propagandists in ridiculous behavior.

In the further interest of light, the commission should bring out also the number of former public utility commissioners who have been brought into the utility organizations, the judges, lawyers, engineers, and other technical men. It should reveal the constant tempting of important persons, and, conversely, the open and veiled intimidation of people on the public side and the creation of an effective blacklist in the field of regulation. There are also the financial practices, including the judicious sprinkling of stock among influential persons, and the control exercised by the large holding company groups over costs, valuation and rates. The country might well be informed completely of the brilliant efforts of the leaders of the industry. Little wonder that there was bitter opposition to the proposed senate investigation.

It is easy, however, to overstate and exag-



gerate. While it is well to bring out the glaring absurdities that have been perpetrated upon the public, we must not conclude that all public utility managements have been rotten. The ordinary manager is a high-grade man, and he does have a proper conception of his public duties. Perhaps the chief effect of the disclosures is to give the decent element in utilities a chance to survive and to furnish the service that the utilities are intended to provide. The "clever" fringe has had vastly too much influence in proportion to its numbers and ultimate power. Fundamental decency obtains in the general run of public utility people and interests just as in other walks of life.



**League of Women Voters to Study Public Utility Regulation.**—One of the pre-convention programs of the League of Women Voters in its recent Chicago meetings was devoted to a discussion of public utility regulation. The editor of this department presented the economic background of regulation, described the existing policies and methods, and pointed out the changes needed to make regulation effective.

S. Ferguson, president of the Hartford Electric Light Co., spoke on the problems of the public utility manager, and described efforts made by the companies to meet their public responsibilities in a constructive way. Donald Richberg, who is one of the few first-class lawyers consistently on the public side of utility controversies, spoke of the more dismal side of regulation; how the work is frustrated by the kind of things that have been revealed in recent months by the federal trade commission.

In its formal meetings the League voted to place public utility regulation upon its study program for next year. Its ultimate purpose is to formulate a program which may be placed before the legislatures of the various states to put regulation upon a more satisfactory basis. This is an encouraging movement, which indicates that the pendulum is swinging from apathy to a

healthy interest in this important field of public service.



**Indiana Public Service Commission Limits Rate Case Expense.**—The common course in a rate case is for the company to spare no efforts as to lawyers, engineers, accountants and other experts to present the facts fully from its own standpoint. The cost is then included in operating expense and charged to the consumers. On the public side, however, there is usually parsimonious regard for its several expenses; only the minimum effort is made in preparing the facts and analysis. The commission usually does little or nothing except to hear both sides. Consumers therefore pay for the elaborate and costly preparation of the company, also the skimpy preparation of their own side, and finally pay the high rates sought by the company.

The Indiana Public Service Commission has instituted a new régime in regard to these matters. For one thing, it makes its own investigation in rate cases, and then actually performs the function originally intended for the commissions. Further, it recently adopted a policy of inquiring into legal fees and other rate case expense incurred by the companies, and of preventing the inclusion of excessive costs in the charges to the consumers. This rule followed the disclosure of a case wherein the appearance for a single day before the commission resulted in a legal fee of \$2,000 for one firm, \$750 for another, and \$350 for a third, in addition to \$6,250 for valuation expense. The property was that of a small company.

Here is another ray of light indicating that regulation is taking a turn toward the better representation of the public interest. While, of course, a company should be allowed to include in operating expense the reasonable costs of a rate case procedure, the abuses have been flagrant, and the Indiana commission is to be congratulated for stepping in the right direction. Its lead may well be followed by other commissions.

# GOVERNMENTAL RESEARCH ASSOCIATION NOTES

EDITED BY RUSSELL FORBES

*Secretary*

**Recent Reports of Research Agencies.**—The following reports have been received at the central library of the Association since April 1, 1928:

**Boston Finance Commission:**

*Letter to the Mayor and City Council Regarding Amount of Paving in the Past Ten Years.*  
*Salary Increases for Officials of City Council.*  
*Letter to the Mayor Regarding Metropolitan Water System.*

**Chicago Bureau of Public Efficiency:**

*The Bond Issues to be Voted upon April 10, 1928.*

**Dayton Research Association:**

*A Study of the Practices in Feeding Prisoners in Montgomery County Jail.*

**Bureau of Governmental Research, Kansas City, Kansas, Chamber of Commerce:**

*Municipal Budget Procedure.*  
*A Memorandum to the Safety Council; Considerations Which Should Govern the Installation of Traffic Signal Lights.*

**New York State Bureau of Municipal Information:**

*Delinquent Village Tax Collections, Report No. 820.*

**Ohio Institute:**

*Ohio Governments and Where They Get Their Money.*

**San Francisco Bureau of Governmental Research:**

*A City Manager for San Francisco.*

**St. Louis Bureau of Municipal Research:**

*Gasoline Tax Revenue.*

**St. Paul Bureau of Municipal Research:**

*Memorandum re Bureau of Municipal Equipment.*

*Memorandum re Recommendations of Committee of Schools.*

*Memorandum re the Functions and Organization of the Department of Public Works.*

*The Bus Amendment to Be Voted on May 1.*

*A Few Typical Statements Issued by the St. Paul Bureau of Municipal Research during 1927.*

✱

**Boston Finance Commission.**—The commission has issued the following since May 1: report to the city council recommending that salary increases for officials of the city council, and that the creation of certain unnecessary positions in city departments, be denied; and to the mayor regarding the burden arising from proposed extension of the metropolitan water system.

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**Citizens' Research Institute of Canada.**—The study of the cost of government in Canada for 1926 has been completed. This covers the field of dominion government, nine provincial governments, and seventeen of the larger Canadian cities. Information is published on a per capita basis for comparative purposes and a final report shows the combined cost of government in the seventeen respective cities.

At the request of the township of East York, a suburban district of Toronto with a population of about 25,000, a further supplementary survey of the municipality was conducted, analyzing its financial condition and outlining a suggested program of capital works which might be undertaken during the year. This is the third report of this type made by the Institute for this particular municipality.

The director has completed his work in Winnipeg, Manitoba, where he acted as chairman of its commission on civic salaries. The positions and salaries in the civic service, classified and standardized by this report, numbered in all 1,857, and a large number of recommendations were made bearing thereon.

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**Cincinnati Bureau of Municipal Research.**—Following through an earlier report on police administration prepared by Bruce Smith of the New York Bureau, D. C. Stone of the Cincinnati Bureau has completed a report on the police



record system. This system is designed to furnish complete information on police activities from the complaint of crime to final disposition in the courts. The Bureau is now cooperating with the police department in the initial steps of installation.

Philip H. Cornick of the New York Bureau has studied the Cincinnati special assessment situation and proposed many changes in procedure and policy of spreading assessments. Several of these proposals have been adopted. A complete report is in course of preparation.

The findings of the study of felony cases were presented at a public meeting sponsored by the Cincinnati Association. At this meeting, which was exceptionally well attended, over 100 slides were thrown on the screen. These slides showed the causes of crime and the community facilities for coping with crime. The results of the Bureau survey are now being put in pamphlet form.

This survey, on which J. L. Jacobs has been acting as consultant, is practically completed. The recommendations will discuss the office procedure with special consideration of the relative merits of the photostat as compared with hand or machine recording.

The county commissioners of Hamilton County have formally requested the Bureau to make a preliminary survey of all county departments as the basis for subsequent determination of special surveys to be more intensively followed through later.

Similarly, the board of education has requested the Bureau to undertake a preliminary survey which will afford a basis of recommendation as to the specific surveys to be undertaken.



#### **Cleveland Municipal Research Bureau.—**

Leyton E. Carter resigned the directorship of the Cleveland Municipal Research Bureau to become director of the Cleveland Foundation on May 1.

The Foundation is a community trust, in fact the first of its kind set up in this country. It is charged with the responsibility of distributing the income of funds held in trust for civic, educational and philanthropic purposes. The idea has been widely copied, there now being 63 such trusts in various American cities.



#### **Taxpayers' Research League of Delaware.—**

The League has made an analysis of the costs of operation in the Richardson Park school district.

A preliminary study, for the Social Service

Club of Wilmington, has been made of the conditions bearing on the possible organization of a community chest for the city.

The director of the League has conferred with the state sinking fund commission on the League's proposal for eliminating the surplus in the state sinking fund, and a schedule has been prepared showing how all outstanding state highway bonds (which are redeemable before maturity) might be profitably called and canceled on the equal-payment serial plan.

For the Delaware Association of Insurance Agents, a study has been made of the operation of the state insurance commissioner's office.

Work has been continued on the proposed state finance code, on the study of the fiscal administration of the town of Milford, on the accounting system of the Delaware Industrial School for Girls, and the League's cooperative effort with the Kiwanis Club for the stimulation of registration and voting.

The League has open a position on its staff for a specialist in finance, preferably one who has worked in state finance. The work of this staff member will cover methods of accounting, auditing, budgeting, assessments and financial control, and policies relating to bond issues, sinking-fund administration, and taxation. Correspondence from available candidates is invited.



#### **Des Moines Bureau of Municipal Research.—**

The Bureau closely scrutinized the 1928 city budget which was prepared during the first week in April. As it appeared that the budget requests were considerably in excess of possible revenues, the Bureau sent a communication to the city council suggesting that the budget be based on the 1927 expenditures. This suggestion was eventually adopted.

The Bureau compiled a report of the janitorial supplies used by every city department and suggested that bid prices be obtained on the year's supply rather than on small purchases as needed as has been done in past years.



**Civic Affairs Department, Indianapolis Chamber of Commerce.**—The department has led a successful effort for obtaining a new city council composed of leading citizens of Indianapolis. Early in the month of April, it became apparent that most of the seven indicted members of the council desired to plead guilty to misfeasance charges and to resign from office.

The prosecuting attorney asked the aid of the

civic affairs committee, both in advising him as to his course of procedure, and if vacancies occurred, by nominating persons to fill the vacancies.

The civic affairs department invited the Indianapolis Board of Trade and the City Manager League to join in its consideration of the problem, and these organizations almost unanimously approved the plan of accepting pleas of guilty providing strong men were obtained to fill the vacancies.

Nominations were made, and seven new members were eventually elected entirely from the list of nominations made by this committee. Such outstanding citizens as Meredith Nicholson, noted Hoosier author; Edward W. Harris, prominent business executive; John F. White, social reform leader; and Hermon P. Lieber, prominent business and social welfare leader, were drafted for places on the council.

These seven members, with two members of the old council who were in no way connected with the criminal charges against the other councilmen, now comprise the city council of Indianapolis, and the step which has been led by the civic affairs committee has gone far to restore public confidence in the city government of Indianapolis.

Indianapolis now has both a mayor and a council who are friendly to the city manager form of government and who will aid in the transfer from the present form to the city manager form at the end of 1929, as voted by Indianapolis 5 to 1 last May.

The civic affairs department conducted a Get-Out-The-Vote campaign for the primary election of May 8.

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**Kansas City Public Service Institute.**—The city bond proposals totaling \$18,500,000 and the county bond proposals totaling \$12,500,000 have been studied quite extensively. At the request of the city manager the probable tax rates necessary for interest and retirement charges on the proposed city bonds, if voted, were calculated. Tax rates were also calculated on the county bonds. Further study of these proposals is being made with the view to presenting statements to the public giving all possible information.

The report on the survey of county welfare activities has been completed and will be distributed within a very short time. This study has been under way for over a year. Recommendations vary from comprehensive ones such

as that for reorganization of welfare work to minor ones affecting merely one activity or one institution. It is expected that this report will form the basis for large improvements in economy and efficiency of welfare operation, as well as for provisions for welfare needs which are not now taken care of.

Further study was made of the adaptability of the photostat method of recording documents in the office of the recorder of deeds. A report on this will be issued soon, and efforts to secure the adoption of the photostat method will be continued.

Some preliminary studies were made of the method of assessing property for taxation in Jackson County. This is a subject in which the Chamber of Commerce is interested and which it will probably ask the Institute to study and report on. The purpose of the study will be to determine the methods used in assessing property, the equality of assessments as now made, and the advisability of establishing a uniform system of assessments such as is used in some other cities.

Some attention has been devoted to the proposed reorganization plan for the state government. During 1926 and 1927, when plans were being drafted and presented to the state legislature, the Institute gave some attention to this subject. A new plan is to be presented to the next legislature. Consideration of various objections to specific parts of the plan last year and consideration of proposals in general has been asked of the Institute by the Associated Industries of Missouri, which is the principal organization active for the reorganization, and by the State League of Women Voters which has given much attention to the subject.

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**Philadelphia Bureau of Municipal Research.**—The Philadelphia Conference on Government held its second annual series of meetings on March 15, 16, and 17. Mr. Beyer devoted a large amount of time to the work of the program committee and presided over a round-table discussion on "Economies in Administration." At this meeting Mr. Shenton presented the possibilities of improving the efficiency and reducing the cost of recording deeds in Philadelphia; Mr. Howland discussed the relation of metering and of reducing wastes in the distribution system to the cost of supplying Philadelphia with water; and Mr. Patterson made a statement of possible economies in the city's borrowing practices. Mr.

Howland and Mr. Beatty served as members of the sub-committee on water supply of the committee of engineers appointed to work out a program of public improvements for the city, and Mr. Howland read a paper at one of the meetings on the possibilities of obtaining water from sources other than the present.

About a year ago the Philadelphia Bureau reported at some length its part in the campaign for the adoption of serial bonds in Philadelphia. It was thought that the story would be of interest to those who concerned themselves with the methods by which municipal research goes over the goal line. At the close of the story the Chamber of Commerce had approved a recommendation of straight serial bonds made by its committee on taxation and public expenditure, on which the Bureau is represented, and the mayor had appointed a committee to study the subject.

Since then the ball has unquestionably moved forward, but as yet is not over the line. This spring the proposal of new bond issues raised the serial-bond question. As the committee appointed by the previous mayor had not reported, the new mayor appointed a new committee, made up, however, of the same persons. The Bureau had the opportunity of furnishing this committee with a large amount of material and made numerous suggestions to it. The report of the mayor's committee, like that of the Chamber of Commerce, favored straight serial bonds. There followed a public meeting called by the mayor to which the Bureau received a special invitation, and at which the Bureau expressed its approval of the report of the mayor's committee. A few days later council's finance committee considered the question of making the pending loans payable serially. Mr. Beyer and Mr. Patterson held forth before this committee for over an hour answering questions put by the councilmen. Amendments to the loan ordinance which would make the loan serial had been drawn by the Bureau and were put at the disposal of the finance committee. The amendments had previously been submitted by the Bureau to a leading firm of Philadelphia bond attorneys, and had been approved by them. In the end the finance committee turned down the serial-bond proposal. Both the Chamber of Commerce and the mayor's committee had recommended straight serial bonds, but the councilmen apparently did not feel like incurring the heavier burden of such bonds in the earlier years of the loans even though this in-

creased burden would be much more than offset by the savings in the later years.

When the loan ordinances came before council, the Bureau submitted a letter, accompanied by a number of tables showing, among other things, that practically all the benefits of the straight serial plan could be realized under an equal-annual-burden plan, except that the savings would be smaller, and that the debt charges under equal-annual-burden plan would be less than the charges under the present sinking-fund plan. However, it was too late to make any change in council's plans.

The attitude of public officials toward serial bonds and the evidences of a better understanding of the question encourage the Bureau to believe that considerable progress toward serial bonds has been made.



**Rochester Bureau of Municipal Research.**—Raymond P. VanZandt, accountant of the Bureau, is on a six months' leave of absence to manage an industrial survey for the new industries bureau of the Chamber of Commerce.

The Bureau is devoting the major portion of its time to work on a new municipal code required by charter to become effective prior to January 1, 1929.



**Toledo Commission of Publicity and Efficiency.**—The commission published on May 5 the annual report of the division of health. The report shows that 1927 was a banner health year for Toledo. The infant mortality rate was 62 per thousand, the lowest in the city's history. The death rate was also low—11.92 per thousand. Practically the only unfavorable item was the epidemic of rabies that prevailed during the year, 833 persons reported bitten, with two deaths. The city council passed an ordinance in April creating the position of full-time health officer, which was recommended by the commission over a year ago.

The street cleaning report, published in four installments of the *Toledo City Journal* during April and May, has resulted in the city's adopting five out of the twelve recommendations made. Toledo was found to have an extremely high unit cost for street cleaning—\$3.30 per thousand square yards cleaned in 1926 as compared with an average of \$.50 for seven other large cities. The commission recommended that flushers be purchased, and unnecessary employes be discharged in order to reduce costs.



Toledo uses special assessments to finance street cleaning. Due to interest charges and overhead assessing costs, this method of finance was found to have added an average of \$30,000 per year to the total cost of street cleaning. The method was found to be inequitable, since it is impossible to determine the benefit received. It was therefore recommended that the city abandon special assessments for street cleaning.

A survey of the number of billboards in the city, together with the fees paid, revealed the fact that there are nearly 1,700 large 10' x 25' boards in the city which resulted in a revenue of approximately \$1,000 in 1927.

At the request of the city council, the commission has collected information regarding ordinances of other cities regulating fake fire sales, going-out-of-business sales, etc. The council now has under consideration an ordinance presented by the Better Business Bureau for their regulation.

Another study undertaken by the commission at the request of council was the regulation of radio interference by ordinance. The data compiled so far shows only two cities which have this kind of ordinances—Zanesville, Ohio, and Fairfield, Iowa.



**Toronto Bureau of Municipal Research.**—The study of municipal police service with relation to Toronto has been completed, and the city council has granted an increase to 100 men, instead of 300 requested by the then chief of police. Additional mechanical equipment also has been, or will be secured.

In line with recommendations made by the Bureau several years ago, that an advisory town planning committee be appointed by the city council to assist not only in drawing up a plan for the city and the order in which suggested improvements should be made, but also the method and

possibility of financing suggested improvements, the Bureau recently issued two bulletins dealing with town planning in relation to Toronto. The question of the best method of dealing with town planning here is now under consideration by the department heads, having been referred to them for a report by the board of control.

The Bureau completed a study of the component elements which went to make up the city's tax rates for the years 1927 and 1928, and issued a report giving comparative figures in connection therewith for the two years under consideration.

Following considerable agitation for a change in the municipal election date in Toronto from the present New Year's Day to (probably) the first Monday in December, and following a request of the Mayor to attend a conference to consider this question, material was gathered from about thirty Canadian cities, and has been prepared for such use. Advantages of the plan appear to be that it would remove the subject of civic elections from the Christmas period and make it possible for the citizens to take greater interest in the subjects under discussion. It is also alleged that it would make it easier for housewives to attend the polls. In the majority of instances where the change has been made in Canadian cities it seemed to have had little effect in increasing the percentage of those who voted. Points against the change appear to be: (1) that since the fiscal year ends December 31, it would make it possible either for defeated candidates to conduct business for two or three weeks or might make it difficult to carry on business since defeated candidates would not attend council or committee meetings; (2) that it might make it more difficult for employees to vote unless extra time were allowed off by employers; (3) that schools could not be used for polling booths as at present unless they were closed to the children. If these were not used, other booths would have to be provided.

# NOTES AND EVENTS

EDITED BY H. W. DODDS

**Cleveland Women Voters Save Proportional Representation-Council Manager Plan.**—For the second time within six months the present proportional representation-council manager charter of Cleveland has been upheld by the voters. In both cases the margin was scant, the results on April 24 being 44,122 in favor of retaining the charter to 40,890 in favor of abandoning it for the mayor form.

Immediately after the defeat on November 11 last of the Davis charter amendment proposing a return to the mayor-council form of government and the substitution of the ward system for proportional representation, Harry L. Davis pledged himself to continue the fight against the present council-manager charter. On December 2 the Davis headquarters announced that their rejected charter would be re-submitted in April with only a few minor revisions.

## DAVIS SPRINGS A SURPRISE

For over a month thereafter inactivity seemed to be the policy of the Davis group until the sudden appearance on January 12 of a substantially altered Davis charter amendment. By revising the amendment to meet some of the most severely criticized items in his former proposal, Mr. Davis was successful in confusing the opposition. Unlike the former amendment which would have ousted the city manager from office six days after adoption, the new charter would not go into effect until January 1, 1930, thus allowing the present manager administration two years of grace. The clause in the rejected charter providing that all contracts in excess of \$1,000 should be let by a board of control composed of the mayor and his department heads was revised to prohibit the awarding of such contracts "except upon either the approval of the council or upon competitive bidding." The third important change was the raising of the minimum wage for city labor on public works from \$2.50 to \$4.50 per day.

## PARTIES SHIFT TO NEUTRAL POLICY

The first effect of this new proposal was to change the position of the Republican party or-

ganization from active opposition to the Davis charter to a policy of neutrality. Mr. Maurice Maschke, Republican party leader, explained the change in front, declaring that his previous objections to the Davis amendment had now been removed. But his decision was also influenced, no doubt, by his preoccupation with the Hoover-Willis fight in the Ohio primaries and by his desire to keep his party lines, in which there was no little Davis support, intact for the state and national elections in November.

## WOMEN VOTERS TAKE CHARGE

The defection of both the Republican and Democratic party organizations from the ranks of the anti-Davis forces left the defense of the council-manager charter entirely with the independent groups of voters. During February and March there was a noticeable absence of activity among those opposing the Davis amendment. The local League of Women Voters attempted with little success to unite men's and women's organizations in defense of the present charter. Finally realizing that its organization was the only one in a position to provide effective and united opposition, the local League of Women Voters assumed complete responsibility. The Citizens League assisted in the campaign by presenting in two issues of its bulletin *Greater Cleveland*, lucid and well directed criticisms of the Davis Plan.

Unlike the three weeks of intense campaigning in the fall, this campaign lasted only a week and lacked both the publicity and the interest that made the November election so dramatic. As part of its tactics the League of Women Voters made little effort to hold many meetings of a general nature. The speakers for the Davis charter held a number of meetings, but found themselves frequently talking to dozens of voters where last fall hundreds had turned out. It was all old stuff to Clevelanders. A possible contributing factor to this lack of interest was the decision of the League of Women Voters to keep the campaign free from personalities and to concentrate on the problem of getting out the voters opposed to the Davis amendment.

## OTHER PHASES OF CAMPAIGN

There are some other phases of the campaign that deserve mention. The leaders of the Cleveland Federation of Labor added to the dramatic quality of the fall campaign by actively campaigning for the Davis charter. They took no such part in the April contest, due to a reconciliation with City Manager A. R. Hopkins. The labor leaders had been at odds with the manager over the question of overtime pay as provided for in the Sulzmann salary ordinance, but differences were adjusted in a series of conferences after the fall election, forcing Davis to carry on in the spring campaign without the official support of labor. City Manager Hopkins also took no active part in this campaign—even the newspapers desisted from their vigorous attack on Davis and his past record. Naturally, then, the campaign meetings of the Davis forces often fell flat with the element of personal conflict eliminated.

Evidence of fraudulent signatures in the Davis petitions uncovered by the Citizens League was another feature of the spring campaign. This resulted in an inconclusive investigation by the judiciary committee of the city council. The council turned over its findings to County Prosecutor E. C. Stanton, who at the present writing has secured the indictment of four petition signers. One case came to trial, but was dismissed by the court, while the other three were nolle. There is some ground for believing that little will be accomplished despite the numerous and unquestioned evidences of fraud.

By the defeat of his second charter amendment Harry L. Davis has lost much of his influence as a disturbing factor in the Republican party organization and as a foe of the manager plan. The defeat leaves Maurice Maschke, Republican leader, in complete control of the local party organization. It is possible that the next attempt to amend the present charter will seek to eliminate proportional representation and will have the support of Mr. Maschke and the Republican organization. A counter to this attempt may be the submission of an amendment making the present proportional representation system similar to the Cincinnati plan. City Manager W. R. Hopkins' position in relation to the party organizations has been strengthened since they can claim no credit for the recent victory. In a sense the result is a victory for Hopkins.

## PART PLAYED BY WOMEN VOTERS

After all, the outstanding event of this campaign was the effective, organized support of the council-manager charter by the women voters of Cleveland. The local branch of the League of Women Voters successfully substituted for the two party organizations that had organized the defense in the fall election, and deserves the lion's share of the credit for the victory. Twenty-five of the thirty-three wards were organized, with ward leaders and precinct captains, who directed an intensive house to house canvass. Precinct workers got out the stay-at-homes on election day while challengers and watchers were appointed in many of the precincts with the cooperation of the Democratic party. This entrance of the League of Women Voters into local politics may mean that hereafter attacks on the council-manager plan will meet with the same concerted and effective opposition in Cleveland as has been the case in Cincinnati.

R. O. HUUS AND A. H. GROSS.

Western Reserve University.



**Newport C. M. Charter Again Meets Defeat by State Politicians.**—In the spring of 1926, the representative council for the city of Newport authorized the appointment of a commission to study various forms of municipal government and to report back such a form as they deemed suitable for the city. This commission, after a thorough study and with the aid of Professor Edwin A. Cottrell and other eminent authorities, drafted a charter embodying the general principles of the council-manager form of municipal government.

The representative council approved the recommendation of the commission and voted to refer the question of the adoption of the charter to the electorate of Newport. The proposition appeared on the local ballot in November, 1926—"Shall the City of Newport adopt the Council-Manager form of Charter providing for a council of five (5) members elected from the City at large, without regard to ward lines and without party designation as recommended by the Commission on Charter Revision in its report received by the Representative Council on September 27, 1926?"—and was approved by the large vote of 5,020 in favor of the adoption to 1,865 opposed. This proposition received the largest percentage vote for any proposition ever submitted to the voters of this state.



In January, 1927, a new council of twenty-five went into office, created by virtue of a charter (political in type, embodying party designation, party caucus, ward lines and without a centralization of authority or responsibility with an annual budget of \$1,500,000) forced upon Newport by the legislature without opportunity for referendum. This council, being hostile to the proposed council-manager charter, refused to submit it to the legislature for enactment into law.

The Volunteer Citizens Committee, a group of citizens who had sponsored the proposed charter from the time it was referred to the council, then took the initiative and caused a bill, incorporating the proposed charter, to be introduced in both branches of the legislature. This bill, by political manoeuvring, was referred to the corporations committee—in which there were no Newport members—when it properly should have been referred to the judiciary committee. The corporations committee gave a public hearing which was attended by numerous Newport citizens, many of whom spoke in favor of the passage of the charter bill. The opposition was mainly from those identified with the political machine in Newport. At this hearing, the members of the corporations committee raised no question concerning the phraseology or structure of the proposed charter.

In February, 1928, the Volunteer Citizens Committee again caused the proposed charter to be introduced in both branches of the legislature. The bill was again referred to the corporations committee, despite the requests of the Volunteer Citizens Committee that it be sent to the judiciary committee. The politicians then began to bestir themselves, and numerous letters appeared in the local press attacking various provisions of the proposed charter. It was strongly suspected that these attacks were made at the suggestion of the leaders of the state Republican organization in Providence.

A public hearing was held in the State House, Providence, in March, which was attended by more than 450 Newport citizens of which number, at least 400 favored the charter. At this hearing, the finance commissioner of Rhode Island, not a resident of Newport, not elected by the citizens of Newport, who is not a member of the legislature and whose duties pertain merely to the finances of the state, expressed at length his opposition to the charter. This gentleman, by virtue of his office, had absolutely no voice in the matter, but spoke as the recognized boss of the Re-

publican machine in Rhode Island. It was very clear that the politicians of the state had decided to deny to the people of Newport the form of government which they had so clearly approved sixteen months before the hearing.

During the closing days of the legislature, the politicians, both in Providence and Newport, attempted to create the impression that the proposed charter was not a council-manager charter and that it was unconstitutional in its terms. Various amendments were suggested by the opponents of the charter which would have nullified some of its most desirable features.

The outcome was as everyone had expected it would be. The politicians were in control in the legislature. In the house of representatives, the bill was reported for passage, but, on the motion of a member of the corporations committee, seconded by the chairman of the same committee, further consideration of the bill was indefinitely postponed. In the senate, the bill died in committee.

To all those who have followed the agitation, it is very apparent that the council-manager form of government is extremely distasteful to the politicians of the state and that they are prepared to use every political manoeuvre to prevent the establishment of such a form of government in any part of Rhode Island.

The Volunteer Citizens Committee are, naturally, disappointed that the wishes of the majority of the citizens of Newport have been disregarded, but the committee are prepared to carry on the fight for better government in Newport.

HORACE P. BECK.



#### Has Zoning Failed?—An Answer to Dr. R. D. MacLaurin.—

*To the Editor of the NATIONAL MUNICIPAL REVIEW:*

Such articles as "Where Zoning Fails," by R. D. MacLaurin, in the NATIONAL MUNICIPAL REVIEW for May, are liable to become a barrier to the progress of zoning. Mr. MacLaurin overlooks a very important point. The police power resides in the state legislature, and is delegated by that body to others only under definite regulations and for definite purposes. Thus, for zoning, the police power is delegated "to regulate and restrict the height, number of stories, and size of buildings and other structures, the percentage of lot that may be occupied, the size of yards, courts, and other open spaces, the density of population, and the location and use of build-

ings, structures, and land for trade, industry, residence, or other purposes." The legislation goes on to define the method, and set up an expert body to prepare and administer the local ordinance adopted for this particular purpose. When the police power is delegated for the regulation of building construction or plumbing, it is done in the same way, and a separate body of experts provided. Factory inspection and regulation is usually delegated to a department of the state government.

If Mr. MacLaurin had read the paper on "Zoning and Health" by Mr. George C. Whipple, he would know that segregation of industry to separate districts is not based altogether on the question of "nuisance." This paper points out that there are "three primary phases of life, namely, work, recreation, and sleep. . . . Adequate provision for work, sleep and recreation . . . is essential to health. The necessary conditions are not the same for all three, . . ." It would evidently be unreasonable to require industry to maintain a condition that would be appropriate to either sleep or recreation.

The segregation of industry or business, that is, grouping industries of like nature, or business of like nature, together produces a gain in efficiency, and thus promotes the general welfare.

Smoke, noise, noxious odors, and fumes, are not the only things which make industries objectionable. The garment trades in New York City could not be classed as objectionable from any of these reasons, yet they ruined one high-class shopping district in lower Fifth Avenue, and came near ruining another on upper Fifth Avenue, until checked by the merchants' own efforts, and later by the zoning resolution.

Zoning is not based on the assumption that industries are nuisances, of themselves, but that they are nuisances when in the wrong place. Industries, especially of a heavy nature, attract a different kind of street traffic from either business or residential districts, and require a different kind of pavement. The mixing of different kinds of traffic produces confusion, increases the danger, and decreases the capacity of the streets.

Mr. MacLaurin says, "The idea that industry cannot be conducted profitably without creating dusts, fumes, odors, noxious gases, or offensive liquid wastes, is erroneous"; and further, "Industry is not imperilled or in danger of being closed down if it adopts the best means known to the art for conducting business. There has never been an industry closed down in the history

of this country, or its existence imperilled under those circumstances." Yet, in Pittsburgh, after a smoke abatement ordinance was enforced, several metallurgical industries abandoned all their works inside the city limits.

Zoning is a method of meeting conditions that exist, in accordance with present laws. Certain industries at the present day are objectionable. Zoning merely says to people who want to erect dwellings near these industries, "You do this at your own risk." When any one wishes to build new industrial works, it forces them to build in a location that will not injure residences or business. But zoning is flexible. As soon as any industry eliminates its present objectionable features (which, by the way, are not limited to smoke, dust, odors, noise or vibration), it will be given a wider choice of location, if that is necessary and in the interest of the public welfare. The improvement of industry will have to be undertaken by a different group of experts, operating under different laws, and is not a part of zoning.

CHARLES HERRICK,  
*City Planning Engineer.*

✱

The Regional Planning Federation of the Philadelphia Tri-State District, after three years of preliminary work, is now undertaking to raise a fund of a half million dollars to carry forward the program on an adequate basis. This money is being raised not only in Philadelphia but in the communities throughout the region. The purpose of the Federation in seeking wide spread support for its work lies primarily in its desire to make the regional plan thoroughly *regional* in character, in order that when the plan is completed the 357 separate governmental units in the area may feel that it is their plan.

While the Federation is employing a group of planning engineers and expects to have the benefit of consulting advice from such authorities as Thomas Adams, George B. Ford, Morris Knowles and John Nolen, the plan itself will be developed with the constant coöperation of the engineers, architects and civic leaders of the Region, and will in fact be a program developed jointly by the participating interests.

The preparation of the Master Plan will occupy approximately three years. Coincident with this preparation will be a program of education to be carried forward, which will keep the people of the Region in touch with the problems and progress of the plan.

HOWARD STRONG.

**Progress of Regional Government in Cleveland.**—Work of the Regional Government Committee of Greater Cleveland and its subcommittees is proceeding satisfactorily. The Fact Finding and Policy Committee, an important subcommittee, has been holding an interesting series of public hearings. At these, county officials and those of various municipalities have been invited to express their views upon the need for some form of regional or metropolitan government. It is significant to note that so far no official has advocated that the community should proceed indefinitely under the existing governmental arrangements. To be sure, divergence of opinion has developed as to what changes should be made or how they should be made.

The Research Committee, a subcommittee of the Fact Finding and Policy Committee, has undertaken a systematic study of the governmental problems involved with the view to presenting a definite plan for making possible the realization of metropolitan government of some practicable and feasible character.

Two other subcommittees have been appointed, one on state coöperation and the other

on publicity and education. These committees will soon have important work to do.



**English Consultant to Visit U. S.**—Municipal researchers and others interested in public administration will be interested in a visit which Arthur Collins, F.S.A.A., will pay the United States this autumn. Mr. Collins has established himself as the leader of the new profession of municipal consultants and counsellors. A considerable part of his practice involves his appearance as witness before Parliamentary committees having in hand special and local legislation conferring new powers upon municipalities. During his visit to this country he will be available for speeches and conferences which may be arranged through the Nomad Lecture Bureau, 150 Lafayette Street, New York.



**Death of Sir Ebenezer Howard.**—Sir Ebenezer Howard, father of the town planning and garden city movement, died on April 30 at Welwyn Garden City, England, at the age of 78. His loss will be severely felt by the ever-increasing circle of those actively interested in city and country development.



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# ELECTRICITY IN GREAT BRITAIN— A STUDY IN ADMINISTRATION

By  
ORREN C. HORMELL

De Alva Stanwood Alexander Professor of Government,  
Bowdoin College

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## PREFACE

THIS study of British Electricity is limited to the administrative aspects of the subject. Economic and technical phases of the industry are of necessity neglected except when they are essential for an understanding of the administrative side.

The study is primarily the outgrowth of an investigation of public utilities administration in Great Britain undertaken by the writer during the spring and summer of 1927. The writer desires to express his deep gratitude for the generous assistance received from many sources in securing the data necessary for the preparation of this article.

To the following the writer is especially indebted: Sir Harry Haward, Electricity Commissioner; Mr. J. R. Brooke, C.B., Permanent Secretary to the Minister of Transport; Mr. M. L. Gwyer, C.B., Procurator-General and Solicitor to the Treasury; Mr. I. G. Gibbon, C.B.E., D.Sc., Ass't Sec., Minister of Health; Mr. L. Hill,

Sec., National Association of Local Government Officers; Mr. Arthur Collins, Financial Adviser to Public Authorities; Prof. G. D. H. Cole, University College, Oxford; W. A. Robson, Ph.D., Lecturer, London School of Economics, and Editor of the *Local Government News*; Prof. J. J. Clarke, M.A., F.S.S., University of Liverpool; Mr. J. W. Beauchamp, M.I.E.E., Director and Secretary of the British Electrical Development Association ("E. D. A."); Mr. Hugh Quigley, Research Expert for the British Electrical and Allied Manufacturers' Association ("Beama"); Mr. A. F. Harrison, F.C.I.S., Sec., City of London Electric Lighting Company, Ltd.; Mr. J. A. Gamon, American Consul, London; the Staff of the *Journal of Public Administration*; officers of the Fabian Society; and members of electricity departments of the cities of Manchester, Birmingham, Liverpool, Glasgow, and Edinburgh.



# ELECTRICITY IN GREAT BRITAIN—A STUDY IN ADMINISTRATION

BY ORREN C. HORMELL

*De Alva Stanwood Alexander Professor of Government, Bowdoin College*

THE year 1926 undoubtedly will go down in the history of industry as a landmark in the development of electricity in Great Britain; for the Electricity (Supply) Act, 1926, marks by far the most important and epoch-making legislation to date in the field of light and power in Great Britain. Competent British authorities consider that that act was "undoubtedly the most important" among the measures passed by Parliament in 1926.<sup>1</sup>

The Baldwin Government, in the presence of the industrial crisis following the World War, was convinced that it was unwise longer to depend upon the traditional English policy of "muddling through"; that further temporizing or haphazard drifting in the electricity field would be industrially disastrous; and that the future development of the generation and transmission of electricity should be boldly determined and courageously undertaken. Parliament, therefore, broke with the past and attempted to recast the whole system of generating and transmitting electricity.<sup>2</sup>

The ground was prepared for the reforms contained in the act by the reports of several select committees which appeared during the decade ending in 1926,<sup>3</sup> and by the work of

the Electricity Commission created in 1919. The act was founded primarily upon the report of a select committee presided over by the Rt. Hon. Lord Weir of Eastwood, 1926.<sup>4</sup>

The main purpose of the act was "to secure the eventual concentration of generation in a limited number of well placed interconnected stations operated under unified control,"<sup>5</sup> to the end that British industries, householders, and agriculturalists might have a cheap, abundant, and efficient supply of electrical energy. Such a supply of electricity would be fostered, it was believed, by mass production in the highly efficient large generating stations.<sup>6</sup>

The means adopted in the act for the realization of the above named ends are:

First, creating power zones approximately co-terminous with the

<sup>4</sup> The committee was appointed January, 1926, to review the national problem of the supply of electrical energy and to present a report on the broad lines of policy which should be adopted to ensure its most efficient and effective development. (See Weir Report, 1926, p. 3.) The members of the committee were: Lord Weir, chairman, a leading British industrialist, and also president of the Confederation of Employers' Organizations; Lord Forbes, a director of the Balfour, Williamson & Co., merchants; and Sir S. Hardman Lever, a director of the Daily Mail Trust, Ltd., Sunday Herald, Ltd., etc.; with Sir John Snell of the Central Electricity Commission as technical adviser.

<sup>5</sup> Sir Harry E. Haward, *Local Authorities under the Electricity (Supply) Acts*, in *Public Administration* (Jan. 1928), Vol. VI, p. 42.

<sup>6</sup> Parliamentary Debates, H. of C., 1926, vol. 193, p. 1694.

<sup>1</sup> The Municipal Year Book for 1927, p. 19.

<sup>2</sup> W. S. Kennedy, *The New Electricity Act*, p. 9.

<sup>3</sup> Important among such committees were: Coal Conservation Sub-Committee of the Reconstruction Committee; Electrical Trade Committee, appointed by the Board of Trade; and the Electrical Supply Committee, appointed by the Board of Trade (cited in this article as Williamson Report, 1918).



several great industrial districts, within which zones electrical generation and transmission may be thoroughly co-ordinated and unified.

Second, interconnecting the power zones throughout Great Britain as rapidly as it is economically practicable, to the end that eventually the whole of Great Britain may become a network of transmission lines ("gridiron") into which power may be poured from all available sources. Such interconnection, it is predicted, would produce a marked saving in fuel consumption, and a noteworthy reduction in capital expenditures which would result from an improved load factor, and from a reduction in the amount of necessary reserve plant.

Third, regulating prices both to the distributor and to the consumer.

Fourth, standardizing frequency in order that the economical flow of electric energy throughout the nationwide network of transmission lines might be brought about.

Fifth, creating a state agency to supervise and regulate the generation and transmission of electricity, and to coöperate with existing agencies in putting into effect the reorganization of the electricity industry.

The supply of electrical energy was conceived to be a national duty to be realized through state coöperation and state regulation. The agency created for this purpose by the act is the "Central Electricity Board." The Central Electricity Board possesses the essential characteristics of a board of directors of a limited company (private corporation in the U. S. A.) rather than those of a bureau of the government, since it is responsible for its acts to the courts rather than to the ministry. Its chief functions are to carry into effect the "schemes" prepared by the electricity commissioners. The electricity commissioners decide

upon the territory to be included in a given "scheme," and choose the generating stations which are to be the "selected" stations for generation in the district covered by the "scheme"; then the board provides for the building of transmission lines to connect selected stations one with another and with the distributing "undertakers."<sup>7</sup>

When the "scheme" is perfected the board purchases, at the cost of generation, the electrical energy generated by each of the "selected" stations. The board may also purchase "by agreement" surplus electricity from any available source,—such available source at present being especially water power and waste heat plants. The electricity thus pooled and poured into the network of transmission lines is then re-sold in bulk to the several distributing agencies in the district to be distributed by them to the consumers.

It is planned to complete the transition from the old system to the new by 1940. The board is authorized to borrow, on the issue of stock to the public, not more than £33,500,000 for putting the plan into effect. A large portion of that sum will of necessity be used for building the high-tension main transmission lines, and for transforming equipment in order to secure standardization of frequency. The National Treasury is authorized to guarantee the interest and principal of such loans, but it is the intention ultimately to pay off the loans from the profits of the industry.<sup>8</sup>

The act was sponsored in the main by three groups or classes of interests:

First, by the technical engineers

<sup>7</sup> The term "undertaker" is used in British law to connote a body having statutory authority to engage in the industry. The term includes both public and private bodies.

<sup>8</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), Secs. 26-29.

under such able leaders as Sir John Snell. Their interest was in the scientific development of the industry as a whole, and they were generally free from local, parochial and individual interests which dominated many municipalities, private distributing companies, and power companies.

Second, by the industrialists, or the great manufacturers, who considered cheap and abundant power an important factor in reducing the cost of production, a factor of overwhelming importance in consideration of Britain's dependence upon world markets. They believed that the capacity of the country to maintain its hold on world trade, in the last analysis, depends upon the cost of production. They recognized that electricity furnishes three factors essential to industrial prosperity, namely, "cheap motive power, fuel conservation, and automatic operation."<sup>9</sup>

Third, political or governmental leaders motivated by the desire to restore as fully as possible to British industry and commerce the prosperity and high position in world trade which they enjoyed prior to the World War.

The measure was opposed, first by the ultra-individualistic right wing of the Conservative Party, containing notably many of the leaders of the private light and power companies. Outstanding among such leaders was Mr. George Balfour, M.P., a director on the boards of thirty or more electricity, tramway and manufacturing companies.<sup>10</sup> This group opposed the act on the alleged ground that it was socialistic; that it supported "the Socialist principles of State control and State management" which would not be "reconciled with the happiness

and prosperity of the people," nor with "the fundamental principles of our old constitution."<sup>11</sup> They contended that the solution of the problem could be found rather in giving private enterprise a free hand and in trusting private initiative to remedy the few ills which seemed to afflict the industry.

The act was opposed, also, by the leaders of the Labor Party, who advocated complete nationalization of the industry. They favored a system by which municipal ownership of distribution should be combined with national ownership of generation and transmission. Their point of view was clearly expressed by Mr. C. R. Attlee, Labor's chief spokesman on this question in the House of Commons. "Electricity," he said, "is one of the master keys of the future. We do not want the master key to be left in the hands of people whose main interest is profit. . . . The Government's view does not go our way far enough."<sup>12</sup>

The Baldwin Government, led by the minister of transport, Rt. Hon. Lt.-Col. W. Ashley, and the attorney-general, Rt. Hon. Sir Douglas Hogg, attempted to steer, what they considered to be, a safe course between the individualism of Mr. George Balfour, and the socialism of Major Attlee. While providing for coördination of the industry, at the same time, they attempted to maintain the *status quo* with regard to municipal ownership and private ownership. Both municipal plants and company plants were incorporated into the scheme and in all but exceptional situations even the generating plants were to remain

<sup>9</sup> H. Quigley, *Electrical Power and National Progress*, p. 21.

<sup>10</sup> Garcke, *Manual of Electrical Undertakings*, 1925-1926, p. 1526.

<sup>11</sup> Parliamentary Debates, H. of C., 1926, vol. 193, pp. 1871-1872.

<sup>12</sup> Parliamentary Debates, H. of C. 1926, vol. 193, p. 1442. A comprehensive presentation of Labor's views on the electricity problem is found in D. J. F. Parson's *Electricity* (1926).

privately owned or municipally owned as the case might be when the act was passed.

The government in sponsoring the act followed the principle advocated by the Weir Committee: "We fully realize the apparent drastic nature of our proposal, but we are convinced that in operation it will not involve any hardship to existing interests. We propose not a change of ownership, but the partial subordination of vested interests in generation to that of a new authority for the benefit of all and this only under the proper safeguards and in a manner which will preserve the value of the incentive of private enterprise."<sup>13</sup> The minister of transport likewise announced in the House of Commons that it was the policy of the government in effecting coördinations in generation and transmission to interfere as little as possible with ownership and management.

#### SITUATION IN THE ELECTRICAL INDUSTRY, 1926

Prior to the enactment of the Electricity (Supply) Act, 1926, electricity was generated and distributed mainly by "authorized undertakers" receiving their powers from the original Electric Lighting Act of 1882, the amending act of 1888, four or five additional public acts,<sup>14</sup> and numerous special acts and orders. There were also many non-statutory concerns generating electricity for their own use, and also supplying it to the public. The earlier laws which laid the foundation for the development of the electrical industry were enacted when the industry was purely local, and when electricity was used for lighting

rather than for power. Such legislation was "influenced by an insufficiently large and comprehensive outlook."<sup>15</sup> Such legislation was declared by the president of the board of trade to have "restricted the proper expansion of the supply industry." He further stated that "the electrical areas are too parochial and entirely discordant from the economic area of electrical supply. The result has been a great growth of small uneconomical stations, with resultant waste of coal and generally higher charges for energy than would have been the case from larger areas and greater concentration of plant in the larger units, and more economically placed power stations."<sup>16</sup> No less authority than the minister of transport declared in the House of Commons, 1926, that "legislation affecting electricity supply has had all the defects of state interference without effective control."<sup>17</sup> Thus by 1926 the whole country had become set off into small electric districts, each with its monopolistic rights and special privileges.

Under such conditions, it was claimed, Great Britain, in 1926, found herself falling behind other great industrial countries in the electrification of industrial equipment; in the application of electricity to agriculture; in the use of labor-saving devices; and in the per capita consumption of electrical energy.

According to evidence presented by the minister of transport only about one-third of Great Britain was "reasonably supplied with electricity"; probably not more than 34 per cent of the industrial equipment used in production had been electrified; only about one tenth of the rural areas was afforded "even the semblance of a

<sup>13</sup> Weir Report, 1926, Sec. 53, p. 13.

<sup>14</sup> Important among these were: The Electric Lighting (Clauses) Act, 1899; Electric Lighting Act, 1909; Electricity (Supply) Act, 1919; and Electricity (Supply) Act, 1922.

<sup>15</sup> Williamson Report, 1918, p. 5.

<sup>16</sup> *Ibid.*, p. 5.

<sup>17</sup> Parliamentary debates, H. of C., 1926, vol. 193, p. 1697.



supply"; while Great Britain was "pathetically behind" in the use of labor-saving devices in the home, in comparison with Canada and the United States, where according to the minister of transport "the house-wife by using labor-saving electrical apparatus has learned to be happy though servantless."<sup>18</sup>

The following table taken from the Weir Report presents graphically the evidence used by the government to show that Great Britain was falling behind other countries in the per capita consumption of electrical energy:

Country	Consumption per head of population Units
California.....	1,200
Chicago.....	1,000
Canada.....	900
North Eastern U. S. A.....	800
Switzerland.....	700
Tasmania.....	550
U. S. A. as a whole.....	500
Norway.....	500
Sweden.....	500
Great Britain (authorized undertakings).....	110
Great Britain (all sources, about).....	200 <sup>19</sup>

Special attention was called to Belgium, one of Britain's competitors, a country similar to England in that it had no considerable water power resources. That country, it was pointed out, consumed 230 units of electrical energy per capita.<sup>20</sup>

According to the statistics submitted by the Electricity Commission, there were in Great Britain, March, 1926, 584 stations generating electricity. Out of the above total, 43.8 per cent (or 256 stations) generated less than 1,000,000 units during the year, and

<sup>18</sup> Parliamentary debates, H. of C., 1926, vol. 193, pp. 1692-1694.

<sup>19</sup> Weir Report, 1926, p. 5.

<sup>20</sup> Parliamentary Debates, H. of C., 1926, vol. 193, p. 1693.

as many as 73.2 per cent (or 428 stations) generated less than 10,000,000 units each.<sup>21</sup> It appears evident, therefore, that a great majority of the generating stations were small, isolated, inefficient and uneconomical. Their load factor, in most instances, was unreasonably low, often no higher than 25 per cent with not more than one fourth of the plant working at full capacity; while reliable statistics indicate that "the combined load factor for the whole of the generating plant of Undertakers in Great Britain taken collectively, was of the order of 30 per cent . . . in 1924-25."<sup>22</sup> The inevitable result was a very high "stand-by" plant with an unduly heavy capital investment.

#### CLASSES OF BODIES OWNING AND OPERATING ELECTRICITY UNDERTAKINGS

The bodies engaged in the generation and distribution of electrical energy in 1926 were divided into two main classes: First, the public bodies called "Local Authorities," consisting chiefly of municipalities; and, second, the private companies.

The local authorities, which are granted statutory authority to supply electricity, are the borough or urban district council and the rural district council in England and Wales; while in Scotland they are the town council and the county council.

The importance of the publicly owned and operated electricity undertakings is evidenced by the fact that "approximately two-thirds of the public supply of electricity is in municipal hands."<sup>23</sup>

<sup>21</sup> Electricity Commission, *Sixth Annual Report*, 1926, pp. 7-8.

<sup>22</sup> Electricity Commission, *Electricity Supply*, 1924-1925, p. xvii.

<sup>23</sup> Sir Harry E. Haward, in *Public Administration*, Jan. 1928, p. 52. Electricity Commission, *Electricity Supply*, 1924-1925, p. xxxiii.

An analysis of the statistics presented by the Electricity Commission shows that, for the year ending March 31, 1926, 65 per cent of the electricity generated by statutory or authorized undertakers was furnished by public authorities, and only 35 per cent by private companies.<sup>24</sup>

The predominance of the municipally owned electric undertakings in Great Britain is due largely, first, to the fact that the municipalities entered the field in the early days of electrical development before the private companies had obtained a secure hold upon the industry; and second, to the fact that on the whole municipal ownership and operation had proved successful. It is generally conceded that the electricity departments of the great industrial cities such as Manchester, Liverpool, Birmingham, Glasgow and Edinburgh, have given proof of initiative, enterprise, judgment, and efficient management equal to that found in the best private undertakings.<sup>25</sup>

It is a significant fact also that municipalization of the monopolistic public utilities—water, gas, electricity and tramways—in Great Britain has not been faced with the adverse public opinion which is so pronounced in America. Some of the most conservative communities in Great Britain have developed municipal trading most fully. Bournemouth and Blackpool are examples among many where the councils are not only extremely conservative, but also highly successful in municipal trading. Conservative leaders who fight national socialism “tooth and nail” consider that municipal ownership is not socialism at all,—merely “good business.” Birmingham, a leader in municipal trading among the great

English municipalities, owes to a great extent the successful inauguration of this policy to the great Conservative leader, Joseph Chamberlain. A monument erected to his memory by a Conservative city government gave him credit and praise for the beginnings of municipal trading, as follows: “. . . mainly by whose ability and devotion the gas and water undertakings were acquired for the Town, to the great and lasting benefit of the inhabitants.”<sup>26</sup> It is interesting to note that the latest experiment in municipal trading, the establishing of a municipal bank in Birmingham, was launched with the approval of the Rt. Hon. Neville Chamberlain, M.P., of Birmingham, minister of health in the present Conservative Government.

Successful municipalization of the electricity industry has been and still is conditioned upon the existence, at the head of the industry, of the trained, permanent expert. Fortunately for the English municipalities it seems never to have occurred to the Englishman that administrative officials should not be permanent. For example, the notable development of electricity at Bristol and in the area around the mouth of the Severn is credited largely to Mr. H. Faraday Proctor, “who has been in charge of the Bristol Electrical Department for thirty-four years.”<sup>27</sup> This example is typical, rather than exceptional.

#### HANDICAPS OF MUNICIPAL UNDERTAKINGS

The municipalities, while developing in many instances electric generating and distributing plants fully capable of meeting the local needs, have been incapable of meeting the national demands for generation and interconnec-

<sup>24</sup> Electricity Commission, *Sixth Annual Report*, 1926, p. 7.

<sup>25</sup> E. D. Simon, Ex-Lord Mayor of Manchester, *City Council from Within*, pp. 13; 173.

<sup>26</sup> Inscription on Joseph Chamberlain's Monument—Public Square, Birmingham.

<sup>27</sup> *Municipal Journal*, Jan. 28, 1927, p. 119.

tion. Experience seems to "prove that a municipal or Local Government area is not necessarily, and in fact is rarely, the most economical area of electrical supply."<sup>28</sup> Although in a few instances, as in the case of Birmingham, the municipality has been given authority to supply electricity to adjacent territory, in the main the provisional or special order granting authority to supply electricity has limited the area to that of one local authority. In the picturesque words of Bernard Shaw the power of the local authority, "like that of the witch who cannot cross running water, stops at a boundary which dates probably from the Heph-tarchy."<sup>29</sup>

Municipalities in Great Britain, as in the U. S. A., are corporations of limited and enumerated powers and can do only what is expressly granted by law. Jealousy among municipalities, and especially the fear on the part of the small municipality that the extension of the electricity supply authority of a large neighboring municipality might be the opening wedge of a movement to annex the smaller, has in many cases blocked the economic expansion of a successful municipal undertaking. Moreover, the statutory right of some 71 small local authorities, not electricity undertakers themselves, to purchase the electricity undertaking in their area which forms a portion of the distribution area of a larger local authority has been an inevitable handicap to the expansion of municipal electricity undertakings.<sup>30</sup>

The practice in many municipalities of making a charge for electricity high enough to act as a material relief to the local rate payers (local tax payers) has diminished rather than increased

the possible benefit to industry of the municipalization of electricity. Prior to the Act of 1926 the local authorities could contribute to the "relief of the rates" any surplus up to 5 per cent on the aggregate capital expenditure. Statistics show that in 1925-26, no less than 107 undertakings contributed sums to the relief of local rates aggregating to £760,267, while only 17 undertakings made a demand on the rates which amounted all told to £18,236.<sup>31</sup> The net contribution, 1925-26, of the municipal electricity undertakings thus was £742,031. Public electricity authorities, furthermore (along with private companies), have been assessed for local rates (taxes) to a degree which it is claimed has "unjustly interfered with the supply of cheap power and enhanced its cost."<sup>32</sup>

Municipalities by 1926 found that the purchase clause of the Act of 1888 acted as a severe check upon the further purchase of private plants operating within their territory. The Act of 1888 provided that the local authority may, "after the expiration of a period of 42 years, or such shorter period as is specified in their behalf under the provisional order or the special act . . . and within six months after the expiration of every subsequent period of ten years, . . . require such Undertakers to sell and thereupon such Undertakers shall sell to them their undertaking . . . upon terms of paying the *then value* of all lands, buildings, works, materials, and plant of such Undertakers suitable to and used by them for the purpose of their undertaking within such jurisdiction. Such value to be in case of difference determined by arbitration . . . but without any addition in respect to com-

<sup>28</sup> Williamson Report, 1918, p. 5.

<sup>29</sup> Bernard Shaw, *The Common Sense of Municipal Trading*, p. 64.

<sup>30</sup> Weir Report, 1926, p. 14.

<sup>31</sup> Sir Harry E. Haward, *Local Authorities under the Electricity (Supply) Acts*, in Public Administration, Vol. VI, Jan. 1928, pp. 46-47.

<sup>32</sup> Williamson Report, 1918, p. 15.



pulsory purchase, or good will, or of any profits which may or might have been made from the undertaking before, or any similar consideration."

The "then value" in actual practice became the reproduction value at the time of purchase. Hence the great increase in the cost of material, etc., subsequent to the war, so enhanced the value of the undertaking that many municipalities have deemed it inexpedient to purchase the private undertaking, which they would have purchased under pre-war conditions.

The municipalities were further handicapped in their development of a cheap and abundant power by many minor limitations placed upon them by legislation. Among these may be mentioned the law and policy which favored underground cables, rather than overhead lines.<sup>33</sup>

It has been pointed out recently that "the right of veto exercisable by Borough, Urban and Rural District Councils in England and Wales, and by County Councils and Police Commissioners in Scotland, on the erection of overhead wires, is another factor which has greatly militated against expansion and development, and has raised the cost of the electricity supplied."<sup>34</sup>

Public electricity authorities have experienced great difficulties in securing privileges for "way-leaves" on private property, as well as in public streets, and for authority to break up streets. They have also often experienced aggravating delays and unnecessary expenses in securing authority to make an extension to the existing area of supply.<sup>35</sup> The extension of supply areas into smaller adjoining municipalities was further made difficult by

the difference in pressure and frequencies which made the linking up and interchange of power exceedingly difficult and costly. Furthermore, most of the acts giving to local authorities the right to supply electricity denied to them the right to sell electrical apparatus.<sup>36</sup>

#### PRIVATE ELECTRICITY UNDERTAKINGS (COMPANIES)

The private statutory electricity companies may be divided into two main classes: First, the distributing companies who receive their authority from the electric lighting acts of 1882 and 1888 and from special orders. These companies are generally given authority to supply electricity for all purposes, and are limited in their authority and in the extent of the area of supply, very much in the same manner as are the public or municipal undertakers. They are subject, however, to purchase by public authorities after a period of 42 years. They have not been as a rule so closely limited with regard to area as have been the municipal or public undertakers. Usually the electric lighting companies have been given authority both to generate and to distribute electricity. The generating stations owned by these companies, in most instances, have been small and inefficient, especially when compared with the stations of the larger municipalities and of the big power companies. These small companies also, for the most part, have been unable to raise the capital necessary for laying high tension cables.

The companies believe that their normal development has been retarded to a certain degree by the purchase clause of the law of 1882 as amended by the Act of 1888.<sup>37</sup> The uncertainty

<sup>33</sup> Advisory Committee on Domestic Supply of Electricity, and Methods of Charge, 1927.

<sup>34</sup> Williamson Report, 1918, p. 6.

<sup>35</sup> *Ibid.*, p. 11.

<sup>36</sup> Weir Report, 1926, p. 21.

<sup>37</sup> See above, p. 369.

of the tenure, and the lack of an agreement between the company and the municipality with regard to the exercise of the purchase privilege has proved, it is claimed, a great handicap to these companies during the last part of the 42-year period, which many companies have now entered. In many instances the municipality is neither willing nor able to enter into an agreement to purchase the utility, nor is it willing to agree to waive its purchase privilege. Hence it is claimed "that so long as the length of tenure and the terms of purchase remain uncertain, as at present, it is practically impossible for many of the small companies to face large capital outlays or to contemplate extensions of the existing area of supply, or to proceed on a proper basis with the development of a cheap supply for general domestic use."<sup>38</sup>

The companies, along with the municipalities, have been greatly handicapped by the refusal of many local authorities to permit overhead wires. They have, furthermore, found the rapid increase in local rates (municipal taxes) a heavy burden during the last two decades. For example, local rates imposed upon the Newcastle-upon-Tyne Electric Supply Co., Ltd., it is claimed by that company, have increased 516 per cent since 1914, while the capital expenditure has increased only 156 per cent.<sup>39</sup>

#### POWER COMPANIES

The second class of private companies, and by far the more important, consists of the electric power companies. These are companies, dating from about 1900, which have been vested by Parliamentary acts with special power of supply over large areas.

<sup>38</sup> Advisory Committee on Domestic Supply of Electricity, and Methods of Charge, 1927, p. 21.

<sup>39</sup> Newcastle-upon-Tyne Electric Supply Co., Ltd., *Report of Proceedings*, 27 March, 1927, p. 6.

These areas are often as large as a county, and extend over the most important industrial districts in Great Britain, for example the industrial district centering around Newcastle-upon-Tyne, the Clyde Valley district, and the Lancashire district. The main function of these power companies is the generation of electricity on a large scale. The electricity is supplied in bulk to the several undertakers, both private and public, having statutory powers of distribution in the area of the power company. In the second place it is supplied directly to the great industrial companies especially for power purposes; in fact these power companies depend almost exclusively on the industrial power load.<sup>40</sup>

The power companies were in the main limited by the following provisions: (1) "That the company should only supply to authorised undertakers, or to persons requiring a supply for power, and should not supply for lighting purposes to any parties other than authorised undertakers, except that electricity supplied to any person for power might be used by such person for lighting any premises on any part of which the power should be utilized; but, in cases where a supply for power should be given to any person within the area of supply of any authorised distributors, the electricity used by that person for lighting purposes in any year should not, except with the consent in writing of the authorised distributors, exceed the amount of electricity used by such person for power."

(2) "That the company should not supply electricity (except to authorised undertakers or to any railway, tramway, or water company, or proprietors or trustees of any canal or navigation for power) in any area which at the date of the passing of the act authoris-

<sup>40</sup> H. Quigley, *Electrical Power and National Progress*, p. 127.

ing the company to supply should form part of the area of supply of any authorised distributors, without the consent of those distributors in the case of each intended customer.”<sup>41</sup>

The power companies have held a highly advantageous position in the industry: First, because their powers were perpetual in tenure, not being subject to the purchase clause of the Act of 1888. Second, they were protected against loss from unprofitable extensions by a binding contract relative to a minimum period of supply, and a minimum return on the actual investment incurred in the extension. For example, authorized undertakers before receiving a supply in bulk were required to agree to continue the supply for a period of at least seven years and pay annually for the supply an amount equalling not less than 20 per cent “on the outlay incurred by the company in making provision for the supply.”<sup>42</sup>

Third: Through stock ownership and interlocking directorates, many of the large power companies have been able to control within certain large industrial areas not only the supply of power in bulk but also the distributing side of the industry as well.

For example, the Newcastle-upon-Tyne Electric Supply Co., Ltd., one of the largest and most successful British power companies, through ownership of the stock of a large number of distributing companies controls and actually operates the distribution as well as the generation of electricity “throughout an area of over 1,400 square miles embracing practically the whole of the industrial area of the north-east coast.”<sup>43</sup>

<sup>41</sup> F. N. Keen, *The Law Relating to Public Service Undertakings*, pp. 253-254.

<sup>42</sup> *Ibid.*, p. 255.

<sup>43</sup> Garcke, *Manual of Electrical Undertakings*, Vol. XXIX, 1925-26, p. 679.

The concentration of control, however, is not confined to districts; it is becoming national (in some instances international) in extent. This centralizing tendency in the private electricity field is being advanced not only by the ownership of stock but also (and especially) by the creation of interlocking directorates. Two examples will suffice to illustrate the point: Sir Hugo Hirst, Bart., sometimes referred to as the “Samuel Insull of British Electricity,” is the managing director of the General Electric Co., Ltd. In addition, he holds the following positions in other companies:

Chairman of The Frinton-on-Sea and District Electric Light and Power Co., Ltd.; Electricity Co. of Macclesfield; Steel Conduit Co., Ltd.; General Electric de France, Ltd.; General Electric Co. of India, Ltd.; General Electric Co. of China, Ltd.; Anglo-Argentine General Electric Co., Ltd.; Leamington Glass Works. Vice-Chairman of Pirelli-General Cable Works, Ltd. Director of Aron Electricity Meter, Ltd.; British General Electric Co. (South Africa), Ltd.; Madeira Electric Lighting Co. (1909), Ltd.; Travancore Minerals Co., Ltd.; Société de Produits Chimiques des Terres Rares.<sup>44</sup>

The second example is that of Mr. George Balfour, M.P., who is an officer and director in even more of the British Electricity Companies than is Sir Hugo Hirst. His official positions in the industry are as follows:

Director of Argentine Light and Power Co., Ltd.; Argentine Tramways and Power Co., Ltd.; Arbroath Electric Light and Power Co., Ltd.; Balfour, Beatty, & Co., Ltd. (Chairman); Dumbarton Burgh and County Tramways Co., Ltd. (Chairman); Dundee, Broughty Ferry, and District Trayways Co., Ltd. (Chairman); Dunfermline and District Tramway Co. (Managing); Edinburgh and London Trust, Ltd.; Falkirk and District Tramways Co.; Hydro-Electric Development Co., Ltd.; Scottish Power Co., Ltd.; Scottish Central Electric Power Co.; Fife Tramways, Light and Power Co. (Managing); Fife Electric Power Co.; Lancashire Electric Light and Power Co., Ltd.; Lancashire Electric Power Co.; Llandudno and Colwyn Bay Electric

<sup>44</sup> *Ibid.*, p. 1628.



Railway, Ltd.; Metropolitan Electric Supply Co., Ltd.; Mansfield and District Tramways, Ltd.; Mansfield and District Light Railways Co.; Midland Electric Light and Power Co., Ltd.; Nottinghamshire and Derbyshire Tramways Co.; Midland Counties Electric Supply Co., Ltd. (Chairman); United Electric Tramways of Montevideo, Ltd.; Wemyss and District Tramways Co. (Chairman); Galashiels and District Electric Supply Co., Ltd.; Brentford Electric Supply Co., Ltd.; Cordoba (Argentine) Electric Tramways Construction Co., Ltd.; Uxbridge and District Electric Supply Co., Ltd.; London United Tramways, Ltd.; Power Securities Corporation, Ltd. (Chairman); Grampian Electricity Supply Co. (Chairman); Chesham Electric Light and Power Co., Ltd.<sup>45</sup>

The international aspect of the situation is strikingly illustrated by the position of the electrical manufacturing firm, the British Thomson Houston Co., Ltd., the controlling shares of which are held by the International General Electric Co. of New York. The British Thomson Houston Co., Ltd., is one of the three largest holders of the ordinary shares (common stock) of the Power Security Corporation, the chairman of which is Mr. George Balfour, M.P.<sup>46</sup>

It is apparent that centralization of financial control is taking place in British private electrical industry even though the British have not yet adopted American type of holding companies.

#### A STEP TOWARD REORGANIZATION, 1919

A step toward the creation of a national system of electricity supply was taken through the enactment of the Electricity (Supply) Act of 1919. The basis of the act was the Williamson Report of 1918. Had Parliament courageously followed the recommendations of that committee the reorganization of the electricity industry would have dated from 1919 instead of

1926. The opposition of the private electricity companies, especially in the House of Lords, emasculated the bill to the extent that it proved to be practically innocuous. The act did, however, make some "important changes in the procedure and administrative arrangements for the control of the electricity supply."<sup>47</sup>

The administrative provisions of the act created, first, a new administrative body termed "Electricity Commissioners," to consist of five members to be appointed by the minister of transport with the concurrence of the board of trade. Most of the powers of regulation previously exercised by several departments of government over the electricity industry were vested in the Electricity Commission. The commission was made by the act solely responsible to the minister of transport.<sup>48</sup>

The commissioners were authorized to define provisional electricity districts on the basis "most conducive to the efficiency and economy of supply and to the convenience of administration." The existing undertakers, both public and private, and large consumers and other interested parties were authorized to suggest a scheme of reorganization for the district. If no scheme acceptable to the commission was submitted then the commissioners themselves might formulate one.

Under such a scheme a joint electricity authority might be created which would be representative of authorized undertakers, local authorities, large consumers of electricity and others interested within the district. The joint electricity authority was entrusted with the duty of providing or securing "a cheap and abundant

<sup>47</sup> F. N. Keen, *The Law Relating to Public Service Undertakings*, p. 256.

<sup>48</sup> Electricity (Supply) Act, 1919 (9-10 Geo. 5, Chap. 100), Sec. 39.

<sup>45</sup> Garcke, *Manual of Electrical Undertakings*, Vol. XXIX, 1925-26, p. 1526.

<sup>46</sup> Stock Exchange Year Book, 1927, p. 1225.

supply of electricity within their district." Under the direction of the Electricity Commission, and in conformity to the detail provisions contained in the scheme, the joint electricity authority was given the power to construct generating stations, main transmission lines and other works, and to acquire the undertakings or parts of undertakings of authorized undertakers in the district.<sup>49</sup> Generating stations might also be acquired with the consent of the electricity commissioners, and furthermore, no new generating stations could be erected by other authorities without the approval of the commission.

The purchase clause of the Act of 1888 was extended to the joint electricity authority, but made subject to the discretion of the Electricity Commission. It is interesting to note that the power companies were still protected against compulsory purchase. The act made it somewhat less difficult to procure "way-leaves" and authority to run overhead wires.

In electricity districts where conditions did not seem to justify the creation of a joint electrical authority, advisory boards could be created to act as intermediaries between the Electricity Commission and the several undertakers, and to function as a central consulting committee with regard to developments within the district.

The law failed to accomplish the efficient reorganization of the industry as proposed in the Williamson Report, largely because voluntary rather than compulsory coördination was depended upon. No existing undertakings, generating stations or main transmission lines could be purchased or brought into the scheme without the consent of the owners, and no existing monop-

oly could be encroached upon by extending the area of supply into the territory of an existing authority without its consent.

Refusal to enter voluntarily into the scheme on the part of many municipalities and many private companies acted as an unsurmountable barrier to the proposed reorganization by the new commission.

By 1926 fifteen districts had been provisionally, and only seven finally, determined. Of the seven districts finally determined upon, four were placed under advisory boards rather than joint electricity authorities. One of the three remaining districts has been handed over to a power company, the North Wales Power and Traction Co., Ltd., which acts as the electricity authority for the North Wales District. In the second remaining district, the Edinburgh District, the scheme placed the industry under the joint control of the Municipality of Edinburgh and the Lothian Electric Power Co., Ltd. The remaining scheme, the London Scheme, as authorized by a special act of 1925, provided for a joint electricity authority, consisting of 14 representatives of local authorities electricity undertakings, 4 of company undertakings, 10 of local authorities, 2 of railways, and 2 of the workers in the industry.

The failure to set up joint electricity authorities with adequate powers is vividly stated in the Lord Weir Report as follows:

Under the Act of 1919 it was contemplated that Joint Electricity Authorities would be set up as executive bodies in each electricity area, and that they would acquire the generating stations and construct the area gridiron leaving local distribution to authorized undertakers. This scheme has been realized only to a very slight extent. At the moment there is one Joint Electricity Authority in being [in actual operation] and that Authority has handed its executive

<sup>49</sup> Electricity (Supply) Act, 1919 (9-10 Geo. 5, Chap. 100), Sec. 8.

duties over to a Power Company.<sup>50</sup> (The North Wales Power and Traction Co.)

Although the powers of the Electricity Commission proved to be inadequate to produce effective results, the commission justified its existence by collecting and publishing full and informing statistics on the electricity industry, and by providing expert information and advice to the Weir Committee in 1926.

Seven years unsatisfactory application of the law of 1919 supported by the information provided by the Electricity Commission, and by the convincing arguments contained in the Weir Report prepared the way for the somewhat revolutionary changes adopted by the Electricity (Supply) Act of 1926.

#### ELECTRICITY ADMINISTRATION SUBSEQUENT TO THE ACT OF 1926

The new system of electricity administration, brought into being by the Electricity (Supply) Act of 1926, was vested primarily in two bodies whose functions were limited solely to the field of electricity.

These bodies are: First, the Central Electricity Board, created by the Act of 1926; and second, the Electricity Commission, created by the Act of 1919. These primary administrative bodies are aided by, responsible to, or dependent upon the action of, several other governmental agencies among which are the ministry of transport, the treasury, special boards of arbitration, the minister of labor, and Houses of Parliament.

The Central Electricity Board consists of eight members appointed by the minister of transport. Their tenure of office is for a period of not less than five years nor more than ten, but there is nothing to prevent a member from being reappointed for another term.

<sup>50</sup> Weir Report, 1926, p. 16.

The appointment by the minister is to be made after consulting with such interests as "local government, electricity, commerce, industry, transport, agriculture, and labour."<sup>51</sup> No member of the House of Commons may be appointed, and the chairman and any other full-time member of the board are required to own no securities of any company in any way connected with the electricity industry.<sup>52</sup>

The board began its official career March 1, 1927, with the following personnel: Chairman, Sir Andrew Duncan, vice-president of the Ship Building Employers' Federation; Frank Hodges, secretary, International Miners' Federation; Sir James Lithgow, president of the National Confederation of Employers' Organizations; William Walker, alderman, City of Manchester, vice-chairman, Manchester Electricity Department, and chairman, National Joint Board for the Electricity Supply Industry; Sir John Watson, chairman, London and Home Counties Joint Electricity Authority; W. K. Whigham, director, Bank of England, and member, Trade Facilities Advisory Committee; Brevet-Colonel, The Hon. Vernon Willey, director, Lloyds Bank, Ltd., and ex-president of the Federation of British Industries.<sup>53</sup>

It appears that manufacturers, private electricity companies, public electricity authorities including both municipalities and joint electricity authorities, labor, commerce, and banking interests are represented on the board. As was expected, the financial and industrial interests predominate. The appointments were made with the understanding that administrative ability, business acumen and knowledge of commercial needs rather than knowl-

<sup>51</sup> Electricity (Supply) Act, 1926 (16-17 Geo. V, Chap. 51), Sec. 1.

<sup>52</sup> *Ibid.*, Sec. 3.

<sup>53</sup> *Municipal Journal*, Feb. 11, 1927, p. 205.



edge of the technical side of the electricity industry were needed. Members of the board are expected "to weigh questions of expediency which experts are apt to ignore and to reconcile the interests of all parties within the industry."<sup>54</sup>

The Electricity Commission, rather than the Central Electricity Board, is the body to be depended upon for advice and control in technical matters.

#### PREPARATION OF ELECTRICITY SCHEMES

The initial steps in the reorganization of the electricity industry are entrusted to the electricity commissioners. The commissioners select the area to which an electricity scheme is to be applied, and prepare the details of the scheme. The proposals for the scheme presented by the commissioners relate to the following matters:

1. The areas to which the scheme relates.

2. What generating stations have been chosen to be the "selected stations" at which electricity shall be generated for the purposes of the board. These stations may include both the selected stations from among existing stations, and new stations to be erected. The commission may not, however, select any stations nor authorize the acquisition of main transmission lines belonging to any railway company, canal, inland navigation, dock or harbor undertakers, or private (non-statutory) generating stations without the consent of the owners thereof.

3. Provisions for main transmission lines to interconnect the selected stations one with another and with the systems of authorized undertakers.

4. Provisions for the standardization of frequency. It is not required by the law to install a general standardiza-

tion of frequency, but only such standardization as is essential to carrying out the interconnection within the proposed scheme.

5. Such supplemental and incidental matters as appear necessary or expedient for any of the purposes of the scheme, especially such as relate to temporary arrangements to be in effect during the carrying out of the scheme.<sup>55</sup>

#### ADOPTION OF ELECTRICITY SCHEMES

The scheme as prepared by the Electricity Commission is submitted to the Central Electricity Board for their consideration. The board before finally adopting the scheme must publish it, and give consideration to any representations made by any authorized undertakers or other interested persons. After due consideration they may adopt the scheme with or without modification, and for the whole or only a part of the specified area as they see fit.

The scheme as adopted and published by the board does not go into effect in its entirety until opportunity has been given for complaints, on the part of authorized undertakers upon whom obligations have been imposed, to be referred to the arbitration of a barrister. Such complaints may be made by authorized undertakers who consider that the carrying out of the obligation would be prejudicial to them. The arbitrator is a barrister qualified for judicial office (of not less than ten years standing at the Bar) selected by the minister of transport from a panel of barristers nominated by the Lord Chancellor, and the Lord President of the Court of Sessions.<sup>56</sup>

The arbitrator, if he deems it expedient, may call in the aid of technical

<sup>55</sup> Electricity (Supply) Act 1926 (16-17 Geo. 5, Chap. 51), Sec. 4.

<sup>56</sup> *Ibid.*, Sec. 4, Sub-sec. 3.

<sup>54</sup> *London Weekly Times*, Jan. 27, 1927, p. 91.

assessors. If satisfied as to the justice of the complaint the arbitrator may order the scheme to be amended to meet the objections, or he may order pecuniary compensation to be made. Provided that he may not grant any relief other than pecuniary compensation in any case where the Central Electricity Board certifies "that the grant of such relief would conflict with the basic principles of the scheme or prejudicially affect its efficiency."<sup>57</sup>

Schemes also may be altered or modified from time to time through the same procedure as is used in preparing and adopting the original scheme, with the proviso, however, that no station which has been once selected may be dropped without the consent of the owners.

#### THE OPERATION OF THE SCHEME

The steps so far described are merely preliminary to the actual working of the scheme. The function of operating the scheme when finally adopted is vested primarily in the Central Electricity Board.

The actual working of the schemes may be conveniently considered under three headings: (1) Generation; (2) Transmission and Interconnection; and (3) Standardization.

*Generation of Electric Energy.* Electric energy, according to the plan, is to be generated as efficiently as possible in a few large stations. It is intended ultimately (by 1940 if possible) to reduce the number of generating stations in Great Britain from about 600 to 50 or 60. The methods of supply are adopted and extensions and alterations of the stations are made according to the requirements of the board. The board also determines the quantity of energy to be generated by

<sup>57</sup> Electricity Commission, *Memorandum on the Provisions of the Act (Electricity Supply Act)*, 1926, p. 4.

each selected station and the rate of output.

All of the energy which is thus generated is sold by the owners to the board, which in turn re-sells it to the "authorized undertakers" who have the statutory authority to distribute energy to the ultimate consumers.

In case the owner of a selected station refuses to operate the station under the direction of the board, or refuses to carry out the alteration and extension required by the board, the station may be purchased from the owners.<sup>58</sup> The price to be paid for the station is arrived at by an auditor appointed by the electricity commissioners. The auditor is required to certify the sum which has been "the amount of expenses properly incurred on and incidental to the provision of the generating station . . . less depreciation on a scale fixed by Special Order."<sup>59</sup>

It is interesting to observe that the "then value" or reproduction cost theory of the earlier laws and practice was abandoned in 1926 for that theory, which in the U. S. A. is termed the "prudent investment" (or Massachusetts) theory of valuation. The general adoption of the principle was advocated by the Weir Committee with regard to the future purchasing of private undertakings by public authorities, as follows: "The purchase clause should be simple in character and based upon the capital properly expended less such depreciation as the Commissioners may allow."<sup>60</sup>

It should be noted, however, that the board is not to acquire the station for itself until it has given full opportunity of purchase to the authorized undertakers in the district, first opportunity

<sup>58</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), Sec. 5, Sub-sec. 2.

<sup>59</sup> *Ibid.*, First Schedule.

<sup>60</sup> Weir Report, 1926, Sec. 77, p. 18.

to be given to a joint electricity authority if such there be in the district. The private owners are further protected against an unfair forcible purchase by the proviso that if the owners of the generation station or the board are dissatisfied with the sum certified by the auditor the case may be referred for arbitration to a barrister;<sup>61</sup> and by the further proviso that the order of the minister for completing the transfer of such a station "shall not come into force until it has been laid before each House of Parliament not less than thirty days on which that House has sat, and if either House of Parliament before the expiration of that period presents an address to his Majesty [vetoes the proposal] no further proceedings shall be taken thereon."<sup>62</sup>

In case the board acquires the generating station, the board is further forbidden to operate the station "unless it satisfies the Electricity Commissioners that it is unable to enter into an agreement with any authorized undertakers or other company or person to operate it on reasonable terms," first opportunity again to be given to a joint electricity authority.<sup>63</sup>

The erection of new stations may be required by the scheme formulated by the electricity commissioners. It is still possible under the Act of 1919 for any authorized undertaker to apply to the electricity commissioners for permission to erect such a station. But the logic of the new plan seems to demand that the great majority of such new stations shall be erected under the direction of the board. The board is denied the authority, however, to erect or operate a new station unless and until the commissioners are satisfied

that no other body may be found with whom satisfactory arrangements to perform the service may be made.<sup>64</sup>

*Non-Selected Stations.* That the non-selected generating stations should be closed down whenever it is economically expedient and as soon as practicable was the obvious intention of the framers of the act. An incentive for the voluntary closing down of inefficient stations, it was believed, would arise from the economic advantage of the availability of cheap energy to be obtained from the board.<sup>65</sup>

Economic forces, however, were not alone depended upon. The act provided that uneconomical stations may be closed down by order of the Electricity Commission upon application of the board under certain specified conditions. The board must first present satisfactory evidence that a supply from the board can be given to the owners of the station at a cost "below the then prevailing cost . . . of generating electricity at the station." Furthermore, the board is required to supply to the owners of the station, for a period of not less than seven years, electrical energy up to the requirements of the owners consequent to the closing down of the station.<sup>66</sup>

*Price of Electricity Bought and Sold by the Board.* The board is authorized to pay, to the owners of selected stations for the electricity generated, a price based upon the "cost of production." The cost of production includes sums spent for materials consumed, pensions, insurance of persons and property, repairs and maintenance, rents, rates and taxes (excluding profits taxes), management, and interest on money properly expended for capital purposes. The interest allowed to

<sup>61</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), Sec. 5, Sub-sec. 2, and First Schedule.

<sup>62</sup> *Ibid.*, Sec. 5, Sub-sec. 2.

<sup>63</sup> *Ibid.*, Sub-sec. 3.

<sup>64</sup> *Ibid.*, Sec. 6, Sub-secs. 1-3.

<sup>65</sup> Weir Report, 1926, Sec. 46, p. 12.

<sup>66</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), Sec. 14.



public authorities owning a selected station is to be the "average rate payable on money raised by the authority for the purpose"; while that allowed to companies is to be "the average rate of dividends and interest paid by the company on the share and loan capital during the preceding year; so, however, that the rate shall in no case be less than five nor more than six and a half per cent per annum."<sup>67</sup> If any question arises over the cost of production it is determined by an auditor appointed by the minister of transport. Other questions in dispute over prices are referred to the electricity commissioners.<sup>68</sup>

On the resale of electricity the board is not permitted to make a profit. The tariff (or price) is to be fixed by the board and approved by the Electricity Commission so that over a given term of years the income of the board shall balance its expenditures with such margin of safety as the commission shall allow. The price must include the cost of production (as explained above) "adjusted according to the load factor and the power factor . . . together with a proper proportion of the Board's expenses." An alternate method of fixing the price is by an order of the Electricity Commission setting forth in detail the manner of fixing the price, subject, however, to the veto of either House of Parliament.<sup>69</sup>

The owners of a selected station are given the first claim on the electricity to be sold by the board up to the amount generated by the station if the requirements of their "undertaking" demand it.

They are given a further advantage by a provision that the cost of electricity taken from the board in any one

year shall not exceed "the cost which, in the opinion of the Electricity Commissioners, the undertakers would have incurred in themselves generating the electricity."<sup>70</sup>

*Transmission and Interconnection.* Both the Williamson and Weir Reports emphasized the need for the establishment of a comprehensive network of transmission mains as an essential part of any effective reorganization of the electricity industry. The Weir Report considered interconnection to be the "first essential towards bringing about subsequent and far reaching improvement in our present system."<sup>71</sup>

Likewise, Parliament, in recasting the operation of the electricity industry made interconnection by means of main transmission lines an essential part of the plan. The electricity commissioners are required by the act to include in the "scheme" submitted to the board a provision for main transmission lines which not only connect up the several selected generating stations and interconnect them with the authorized undertakings within the specified area, but also furnish connections between the several great electric areas under the jurisdiction of the board. Thus is made possible the gradual unification of the industry throughout a greater portion of the nation.<sup>72</sup>

After the adoption of the scheme, the Electricity Board is authorized to "construct and lay down the main transmission lines required for the interconnection."<sup>73</sup> This includes the laying of cables, the erection of overhead lines and the providing of the transforming apparatus in order that the energy produced by the station may

<sup>70</sup> *Ibid.*, Sec. 13.

<sup>71</sup> Weir Report, 1926, p. 19.

<sup>67</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), Sec. 14, Second Schedule.

<sup>68</sup> *Ibid.*, Sec. 7, Sub-sec. 6.

<sup>69</sup> *Ibid.*, Secs. 7 and 11.

<sup>72</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), Sec. 4, Sub-sec. 1.

<sup>73</sup> *Ibid.*, Sec. 8, Sub-sec. 1.

be fed into the systems of the several authorized undertakers in the area.

In case the board is authorized to take over existing lines the procedure for acquiring them is fundamentally the same as that for acquiring generating stations.<sup>74</sup> The cost of alterations and replacements necessitated by the installation of the interconnection is charged to the board.<sup>75</sup>

*Standardization of Frequency.* Electricity experts generally agree that standardization of frequency was necessary in order that interconnection might be made effective. The act provides not only for such standardization as is essential for carrying out the interconnection proposed in a given scheme but also for such standardization as the board, with the approval of the electricity commissioners, may deem expedient.<sup>76</sup>

The board, with the approval of the Electricity Commission, is given full power to require the owners, both public and private, to make the necessary alterations in frequency to effect the required standardization. The owners are to be reimbursed by the board for all expenses properly incurred in carrying out the requirements, and the board, if required to do so, must advance, free of interest, the capital necessary for making the alterations. If an agreement cannot be reached relative to the sum necessary for the work the decision is made by the Electricity Commission or, at the option of the owners, by an arbitrator.<sup>77</sup> It was estimated by the Weir Committee that the alterations effecting standardization would require a net expenditure of about £8,000,000.<sup>78</sup>

<sup>74</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), First Schedule.

<sup>75</sup> *Ibid.*, Sec. 8, Sub-sec. 3.

<sup>76</sup> *Ibid.*, Sec. 4, Sub-sec. 1; Sec. 9.

<sup>77</sup> *Ibid.*, Sec. 9, Sub-sec. 1.

<sup>78</sup> Weir Report, 1926, Sec. 91, p. 19.

#### REGULATION OF CHARGES TO THE CONSUMER

The ultimate purpose of the reorganization of the electricity industry in 1926 was to make available to the consumers (domestic and industrial) an abundant and cheap supply of electric energy. If the economies created by governmental action were to be merely a gift to the distributors of electricity then the reforms would be mainly futile. Without legislation on that point, the interests of the distributors might have led to a reduction in the cost to the consumer. The economic advantages to the distributing companies probably would have caused a portion of the savings to percolate through to the consumers.

Too much, it is feared, has been left to economic forces. The machinery for readjusting prices to the consumer was not thoroughly overhauled and brought down to date in 1926. The provisions of the act do something for the consumer, but it is questionable if they do enough. The "provisions are hardly stringent enough to bring about a reduction of price in the absence of a will in that direction on the part of the distributor."<sup>79</sup>

*Methods of Price Regulation.* The earlier method of price regulation (and the one still in use) is that of fixing a schedule of maximum rates in the special act or order giving authority to the undertaker. Actual experience clearly indicates that "fixed maxima are of next to no use in preventing extortion. Either the management, free from direct or indirect competition, is unenterprising and provides services at a cost which, even if originally legitimate, becomes in time higher than it should be; or, if it is enterprising and progressive in consequence of competi-

<sup>79</sup> W. S. Kennedy, *The New Electricity Act*, p. 63.

tion or ability of management it develops business by reducing rates, or in the alternative maintains rates which have become extortionate."<sup>80</sup>

The minister of transport has the authority "to make an Order varying the prices or methods of charge" at any time after the expiration of seven years from the commencement of the special order which established the maximum price. The revision of the price is made only upon the application of a public authority not itself an authorized undertaker, or by the company interested,<sup>81</sup> or by "twenty or more consumers."<sup>82</sup>

By the Act of 1926, the minister of transport has the power to revise the maximum and standard prices charged by a power company where the company takes a supply from the board. The minister is directed to take into account "any reduction in the cost of electricity attributable to this Act."<sup>83</sup>

The most promising provision for regulation of prices in the interest of the consumer is found in the provision for a sliding scale of dividends and charges imposed upon distributing companies taking a supply from the board. When the board, as is intended, ultimately becomes almost the sole source of supply, then the sliding scale will have almost universal application. This is the most effective "assurance given in the Act that the reduction in generating costs caused by intercon-

nection, centralization and coöperation will be passed on to the individual consumer by the companies."<sup>84</sup>

The details of the sliding scale plan for dividends and charges are drawn up by the electricity commissioners and promulgated by them in a special order which requires the approval of each House of Parliament.<sup>85</sup> The sliding scale was adopted for the London Companies by the provisions of a Special Act of Parliament, 1925.<sup>86</sup>

In case the distributing authority is a municipality or other public authority the law limits narrowly the amount of the net surplus which may be applied "in aid of local rates," and provides that the major portion of the surplus shall go to reducing charges, and toward paying off capital loans.<sup>87</sup>

A great deal of thought is being given to "methods of charge." The whole tendency of the industry, public and private, is to encourage the adoption of a "two-part tariff," one part relating to "fixed or service charge, and the other a charge for the quantity of electricity contained in the supply." Such a method is considered "a first essential to the wide use of electricity in the home."<sup>88</sup>

The installation of some such method was made possible by provisions of the Act of 1926 permitting the electricity commissioners, at their discretion, to promulgate a special order subject to the approval of the minister of trans-

<sup>80</sup> Sir H. N. Bunbury, K.C.B., *The Economic Regulation of Public Utility Services*, in Public Administration, Vol. IV, No. 3, (July 1926) p. 212.

<sup>81</sup> Electric Lighting (Clauses) Act 1899, Sec. 32, Sub-sec. 2.

<sup>82</sup> Sir Harry E. Haward, *Local Authorities under the Electricity (Supply) Acts*, in Public Administration, Vol. VI (Jan. 1928), p. 52.

<sup>83</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), Sec. 31, Sub-sec. 1.

<sup>84</sup> W. S. Kennedy, *New Electricity Act*, p. 62.

<sup>85</sup> Electricity (Supply) Act, 1926, Sec. 32, Sub-sec. 1; Electricity (Supply) Act, 1919, Sec. 26.

<sup>86</sup> London Electricity (No. 1) Act, 1925 (15-16 Geo. 5, Chap. 62), Third Schedule.

<sup>87</sup> Electricity (Supply) Act, 1926 (16-17 Geo. 5, Chap. 51), Fifth Schedule.

<sup>88</sup> Advisory Committee on Domestic Supplies of Electricity and Methods of Charge, Report 1927, p. 16.



port setting up an optional method of charges.<sup>89</sup>

#### REGULATION OF PUBLIC ELECTRICITY AUTHORITIES

Local authorities receive powers to generate and distribute electrical energy in a specified area mainly from special orders issued by the electricity commissioners. Such powers cannot be given up or transferred except upon an order from the electricity commissioners. Uniformity in the details of such orders is usually secured by the incorporation in the order of the clauses in the Electric Lighting (Clauses) Act of 1899. The order usually contains a schedule of maximum prices to be charged for electric energy. Orders called "Fringe Orders" in certain instances give local authorities powers to supply energy to surrounding areas.

The local authorities are granted general powers to borrow on the security of local rates the capital needed for the electricity undertaking, but all such loans are subject to the approval of the electricity commissioners. Furthermore, the maximum period for the repayment of such loans varies from sixty years for land to seven years for domestic apparatus.

They are limited by acts of Parliament (Act of 1899, and Act of 1926) with regard to the use to be made of the surplus revenue. The law provides that the amount that may be applied in aid of local rates in any year shall not exceed one-and-a-half per cent of the outstanding debt on the undertaking; and after March 31, 1930, "no sum shall be paid in aid of the local rates unless the reserve fund amounts to more than one-twentieth of the aggregate capital expenditure on the undertaking."<sup>90</sup>

<sup>89</sup> Electricity (Supply) Act 1926 (16-17 Geo. 5, Chap. 51), Sec. 42.

<sup>90</sup> *Ibid.*, Fifth Schedule.

A local authority is required to report to the electricity commissioners a statement of its accounts on a form prescribed by the commissioners, but such accounts are audited by appointees of the authority itself, rather than by auditors appointed by and responsible to the electricity commissioners.

The consent of the minister of transport is required for the erection of overhead lines by any electricity undertaker. On the other hand the local authorities have no longer the right of absolute veto on the erection of such lines.<sup>91</sup>

The right of a local authority to purchase the undertaking of a private supply company was materially modified in 1919 by the provision that made such purchase subject to the consent of the electricity commissioners.

#### REGULATION OF PRIVATE ELECTRICITY COMPANIES

Private electricity authorities, including both power companies and distributing companies, receive their powers from Parliamentary acts and special orders. Such acts and orders among other things define their areas of supply, their rights to use streets for cables or wires, and the maximum charges for sale of energy. The private distributing companies are subject in the main to the same general laws as are the public authorities.

The private companies, furthermore, are subject to an audit of their accounts by an auditor appointed by the minister of transport.<sup>92</sup>

The most important change in the regulation of private electric companies effected in recent years has to do with the right to purchase the private under-

<sup>91</sup> Public Administration, Vol. VI (Jan. 1928), p. 53.

<sup>92</sup> Electric Lighting Act, 1909, Sec. 20, as amended by the Electricity (Supply) Act of 1926.

takings. The purchase clause of the Act of 1888 was slightly modified in 1919 by the provision that the purchase of a private company's holdings by a local authority, except in the district of a joint electricity authority, was conditioned upon the consent of the electricity commissioners.<sup>93</sup> The Act of 1922 further modified the purchase clause by providing that the power of purchase might be suspended for such period and on such conditions as the company and the local authority agreed upon, subject to the approval of the electricity commissioners. Such agreement is to be given effect by an order of the commissioners.<sup>94</sup>

A more important modification of the policy with regard to the purchase of private undertakings was contained in the Act of 1926. The modification applies to companies formed after the Act of 1926 goes into effect and whose area extends over the districts of two or more local authorities. The company's undertaking may be purchased by a joint electricity authority, or a joint committee of local authorities concerned. The company is given a tenure of 50 years. Notice of purchase may be given six months after the expiration of each subsequent ten-year period. The most important part of the provision relates to the principle of fixing the value. The price shall be "a sum equal to the *capital properly expended* for the provision of the land, buildings, works, material and plant . . . in use or available and suitable for use at the time of the purchase for the purposes of their undertaking less depreciation according to a scale as may be determined by special order."<sup>95</sup>

The purchase clause of the Act of 1888 was further modified in 1926 by

<sup>93</sup> Electricity (Supply) Act, 1919, Sec. 13.

<sup>94</sup> Electricity (Supply) Act, 1922, Sec. 14.

<sup>95</sup> Electricity (Supply) Act 1926 (16-17 Geo. 5, Chap. 51), Sec. 29, Sub-sec. 1 (a).

the provision permitting local authorities and private companies, with the approval of the electricity commissioners, any time within ten years before the date of purchase next occurring or within ten years of any subsequent date of purchase, to contract to amend, vary or alter the terms of purchase.<sup>96</sup>

The act does not fully comply with the recommendation of the Weir Committee that the purchase clause be done away with entirely, but it does remove the occasion for much of the uncertainty facing a company during the last years of its specified term; and under the conditions produced by the new act probably few occasions will arise where it will seem expedient or advisable for a single municipality to purchase the plant of a private company.

#### PROVISIONS RELATING TO LABOR

Compensation is guaranteed to regularly employed officers and employees of electricity undertakers, who, in consequence of the changes in the electricity industry brought about by the act, have been deprived of employment or suffered diminution in salary, and who have not been given "equivalent employment under like conditions." The guarantee extends over a period of five years from the date when a generating station has been closed or a main transmission line has been acquired.

The persons affected are required to prove to a referee appointed by the minister of labor that their loss of employment or diminution in salary has

<sup>96</sup> *Ibid.*, Sec. 41.

NOTE.—The administration of the electricity industry in the administrative county of London was specifically dealt with in the London Electricity (No. 1) Act, 1925; and in the London Electricity (No. 2) Act, 1925. Tenure of the private owners was extended to 1971. Space does not permit a statement of the complicated financial details of the settlement.



not been on grounds of misconduct, incapacity or superannuation, and otherwise comes under the provisions of the law granting the compensation. The amount of the compensation is to be determined by a referee or board of referees, and is to be paid by the owners of the station or main transmission line.<sup>97</sup>

The problem of fixing wage schedules and settling disputes relating to hours and conditions of service is handled almost entirely in the electricity industry by the so-called "Whiteley Councils." These councils are composed of: first, the Joint Industrial Council for the Electricity Supply Industry (so-called National Council); and, second, District Councils, for the several great industrial districts. For example, District Council No. 1 has jurisdiction within the North-East Coast Area. It is composed of twenty-eight members. Fourteen are selected by employers, eight representing "company undertakers," and six "municipal undertakers"; and fourteen, by the trade unions in the several branches of the industry.<sup>98</sup>

The plan, it appears, has been remarkably successful in settling wage disputes, strikes, and lock outs, and in creating more uniform standards of wages and conditions of service in both the privately and the publically owned plants.

#### INITIAL STEPS IN REORGANIZATION, 1927

Much of the work involved in preparing the first scheme under the Act of 1926 had been completed by the Electricity Commission prior to the final passage of the act, December, 1926.

<sup>97</sup> Electricity (Supply) Act 1926 (16-17, Geo. 5, Chap. 51), Fourth Schedule.

<sup>98</sup> District Council (No. 1) North-East Coast Area Electricity Supply Industry, *Constitution*, revised and reprinted 1927.

The first scheme published in May, 1927, was termed the "Central Scotland Electricity Scheme, 1927," and was applied to the district covering practically the whole of the Scottish industrial, shipbuilding, and coal field area, which extends diagonally across Scotland from sea to sea. The total area covered by the scheme is approximately 5,000 square miles in extent.

The scheme provides for the selection of ten generating stations from among the thirty-six existing stations. Four of these ten, however, in the opinion of the Electricity Commission, should be shut down in time and two new stations should be constructed.

The commissioners stated the factors which were taken into account in selecting the generating stations as follows:

1. The cost of coal delivered to the station.
2. Abundance of water for condensing purposes.
3. Technical characteristics of the station, such as type and size of the plant units, steam pressure, etc.
4. Proximity to load.
5. The possibilities of the site for the further expansion of the station.

Four of the stations selected were owned by public authorities, and six were company owned.

The commissioners determined upon a voltage of 132,000 volts for "the overhead primary transmission lines throughout the United Kingdom," as well as for the Scotland scheme. They also adopted for the Central Scotland area the standard frequency of 50 cycles per second.

The scheme provided for the complete interconnection of the stations by means of a primary transmission system and transforming stations to be pro-



cured at an estimated cost of £2,204,034.<sup>99</sup>

Before the close of 1927 an "Electricity Scheme" was also prepared and published for South-East England which included the county of London and the whole or part of twelve adjacent counties. The principles governing the details of the scheme were much the same as those adopted for the first "scheme" described above.<sup>100</sup>

The commission announced its intention of completing in the near future electricity schemes for at least three other great industrial districts. According to the estimate of the commission the transmission systems for the schemes adopted by the Central Electricity Board will be in the course of construction during the period up to 1933-34.<sup>101</sup>

#### CONCLUDING OBSERVATIONS

Americans interested in the solution of their own difficult public utilities problems may watch with interest the outcome of the British experiment. The British are attempting to direct the development of a major industry, during the next few decades, on the principle of coöperation between governmental agencies and private capital. They are attempting to bring about, systematically, cheap generation and complete interconnection through the control by, and partial operation of, a national agency, while they are leaving the distribution of electric energy in the hands of the existing local public authorities and private companies. They are protecting the *status quo* (1926) with regard to public ownership and private ownership; although it is be-

<sup>99</sup> Electricity Commission, *Central Scotland Electricity Scheme, 1927, Supplementary Particulars*, pp. 3-8.

<sup>100</sup> *London Weekly Times*, Oct. 13, 1927, p. 423.

<sup>101</sup> Electricity Commission, *Central Scotland Electricity Scheme, 1927, Supplementary Particulars*, p. 3.

lieved that the incentive for the purchase of the private enterprises by local authorities has been greatly weakened if not entirely removed.

It is of special interest to American observers that the British have seemingly adopted for the future the "prudent investment theory of valuation" and discarded the "reproduction cost less depreciation" theory.

The success of the experiment depends largely upon the soundness of judgment in technical matters exercised by the electricity commission; and upon the practical business acumen possessed by the Central Electricity Board, combined with the willingness of Parliament to give the plan a fair test. For nothing, it seems, is more blighting to industry than the uncertainty caused by continuous legislative tinkering.

Much depends also upon the enlightened, progressive, and energetic management of the distributing authorities. The local managers must be willing to pass on to the consumers a major portion of the reduced cost resulting from efficient generation and transmission. They must also encourage the wider use of electricity by the adoption of favorable terms for wiring houses and of more satisfactory methods of charging for current. Favorable results may also be expected from the educational program of such propagandist organizations as the British Electrical Development Association and the British Electrical and Allied Manufacturers' Association.

If this experiment in the field of electricity, launched with such confidence in 1926, proves successful, it will provide further evidence that there is a workable medium between the *laissez-faire* system of unregulated private industry on the one extreme, and the complete nationalization on the other.



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